

NEW ISSUE — BOOK ENTRY ONLY

In the opinion of Squire, Sanders & Dempsey L.L.P., Bond Counsel, under existing law, (i) assuming compliance with certain covenants and the accuracy of certain representations, interest on the Bonds is excluded from gross income for federal income tax purposes, and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations and (ii) interest on, and any profit made on the sale, exchange or other disposition of, the Bonds are exempt from the Ohio personal income tax, the net income base of the Ohio corporate franchise tax, and municipal and school district income taxes in Ohio. Interest on the Bonds may be subject to certain federal taxes imposed only on certain corporations, including the corporate alternative minimum tax on a portion of that interest. For a more complete discussion of the tax aspects, see "Tax Matters" herein.



\$100,000,000

STATE OF OHIO

**HIGHER EDUCATIONAL FACILITY REVENUE BONDS
(CASE WESTERN RESERVE UNIVERSITY 2002 PROJECT)**

**\$64,875,000 Series A
(Variable Rate)**

**\$35,125,000 Series B
(Fixed Rate)**

The Series A Bonds and Series B Bonds, when, as and if issued, will be special obligations of the State of Ohio issued by the Ohio Higher Educational Facility Commission (the "Commission") pursuant to two separate Trust Agreements, dated as of May 15, 2002 (the "Series A Trust Agreement" and "Series B Trust Agreement", respectively), between the Commission and J.P. Morgan Trust Company, National Association (the "Trustee"). The Series A Bonds and the Series B Bonds (collectively, the "Bonds") are issued to pay costs of certain educational facilities, as described herein. The Series A Bonds and the Series B Bonds will be payable from the revenue and other money pledged by the Series A Trust Agreement and the Series B Trust Agreement, respectively, which include the payments required to be made by Case Western Reserve University (the "University") under certain Leases between the Commission and

CASE WESTERN RESERVE UNIVERSITY

The Bonds are issuable as registered bonds without coupons and initially will be registered only in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. The Bonds will be issuable only under the book-entry system maintained by DTC through brokers and dealers who are, or act through, DTC Participants or Indirect Participants, and purchasers of the Bonds will not receive physical delivery of bond certificates. Principal of and premium, if any, on the Bonds will be payable to the registered owner upon presentation and surrender at the designated corporate trust office of the Trustee in Cleveland, Ohio, and interest will be transmitted by the Trustee on each interest payment date to the registered owner as of the record date preceding that interest payment date, all as more fully described herein.

The Series A Bonds may bear interest at a Daily Rate, Weekly Rate, Commercial Paper Rate, Dutch Auction Rate or Term Rate. While a Series A Bond bears interest at any of these rates, such Series A Bonds will be deemed to be in a Daily Rate Period, a Weekly Rate Period, a Commercial Paper Rate Period, a Dutch Auction Rate Period or a Term Rate Period, respectively (each a "Rate Period"). Initially, all of the Series A Bonds will be issued in a Daily Rate Period and will remain in that Rate Period until converted to another Rate Period as described herein. Interest on the Series A Bonds, while such Bonds bear interest at the Daily Rate, is payable on the first Business Day of each month, commencing July 1, 2002. While the Series A Bonds bear interest at the Daily Rate, the Series A Bonds will be available to purchasers in denominations of \$100,000 and integral multiples of \$5,000 in excess thereof.

Interest on the Series B Bonds will be payable on each April 1 and October 1, commencing October 1, 2002.

While the Series A Bonds are in a Daily Rate Period, Series A Bondholders will have the right to tender their Series A Bonds for purchase at the times and subject to the conditions set forth in the Series A Trust Agreement. The Bonds also are subject to optional and mandatory redemption prior to maturity and to optional and mandatory tender for purchase as described herein.

In the event and to the extent that the Series A Bonds are not remarketed by the remarketing agent, the Series A Bonds will be purchased pursuant to the terms of a Standby Bond Purchase Agreement, dated as of May 15, 2002 (the "Initial Liquidity Facility"), among the University, the Trustee and Landesbank Hessen-Thüringen Girozentrale (the "Bank"), subject, however, to the terms and conditions stated therein. The Initial Liquidity Facility will expire on June 3, 2003, unless extended or terminated sooner in accordance with its terms.

The Bonds are offered when, as and if issued by the Commission and accepted by Morgan Stanley & Co. Incorporated, as representative for itself, NatCity Investments, Inc. and McDonald Investments Inc. (collectively, the "Underwriters"), subject to the receipt of the approving legal opinion of Squire, Sanders & Dempsey L.L.P., Bond Counsel. Certain legal matters will be passed upon for the University by Joel Makee, Esq., as University Counsel, and for the Underwriters by their counsel, Thompson Hine LLP. Public Financial Management, Inc. has served as financial advisor to the University. It is expected that the Bonds will be available for delivery through DTC on or about June 5, 2002.

The Bonds do not represent or constitute a debt or pledge of the faith and credit of the Commission or the State of Ohio and will not be secured by an obligation or pledge of any money raised by taxation, and do not grant to the Holders any rights to have the State levy any taxes or appropriate funds for the payment of the principal of or interest on the Bonds.

MORGAN STANLEY

NATCITY INVESTMENTS, INC.

McDONALD INVESTMENTS INC.

A KeyCorp Company

This cover page contains certain information for quick reference only. It is not a summary of this Offering Circular. Investors must read the entire Offering Circular to obtain information essential to the making of an informed investment decision.

May 28, 2002

Series A Bonds

Dated: Date of delivery

Due: October 1, 2031

Price: 100%

Series B Bonds

Dated: May 15, 2002

Due: October 1 as set forth below

<u>Due October 1</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price or Yield</u>
2019	\$6,500,000	5.500%	103.740%
2020	5,610,000	5.500%	103.252%
2021	1,330,000	5.000%	5.140%
2021	10,000,000	5.500%	102.847%
2022	1,650,000	5.125%	5.180%
2022	10,035,000	5.500%	102.525%

(plus accrued interest from May 15, 2002)

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In connection with this offering, the Underwriters may overallocate or effect transactions that stabilize or maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

The Bonds are exempt from registration under the Securities Act of 1933 and from registration under the securities laws of the State of Ohio. No dealer, broker, salesman or other person has been authorized by the Commission, the University or the Underwriters to give any information or to make any representations with respect to the Bonds, other than those contained in this Offering Circular, and, if given or made, such other information or representations must not be relied upon as having been authorized by the Commission, the University or the Underwriters. This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any state, possession or territory, in which it is unlawful for such person to make such offer, solicitation or sale. The information contained herein has been obtained from the Commission (with respect to the Commission), the University, the Bank, DTC and other sources that are believed to be reliable, but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation of the Underwriters. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Offering Circular nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the parties referred to above or any related parties since the date hereof. This Offering Circular is not to be construed as an agreement or contract with the Commission. Capitalized terms used in this Offering Circular and not otherwise defined have the meanings set forth in "CERTAIN DEFINED TERMS AND SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENTS, THE LEASES AND THE TAX AGREEMENTS" in APPENDIX C. All quotations from summaries and explanations of provisions of law and documents herein do not purport to be complete, and reference is made to such laws and documents for full and complete statements of their provisions.

This Offering Circular has been prepared in connection with the original offering for sale of the Bonds.

FOR NEW HAMPSHIRE RESIDENTS

In making an investment decision investors must rely on their own examination of the University and the terms of the offering, including the merits and risks involved. These securities have not been recommended by any Federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this document. Any representation to the contrary is a criminal offense.

\$100,000,000
STATE OF OHIO
(OHIO HIGHER EDUCATIONAL FACILITY COMMISSION)
HIGHER EDUCATIONAL FACILITY REVENUE BONDS
(CASE WESTERN RESERVE UNIVERSITY 2002 PROJECT)

\$64,875,000 Series A
(Variable Rate)

\$35,125,000 Series B
(Fixed Rate)

INTRODUCTION

This Offering Circular, including the cover page, the table of contents and the Appendices, is provided to furnish information in connection with the issuance by the Ohio Higher Educational Facility Commission (the "Commission") of \$100,000,000 State of Ohio Higher Educational Facility Revenue Bonds (Case Western Reserve University 2002 Project), Series A and Series B (the "Series A Bonds" and the "Series B Bonds," respectively, and, collectively, the "Bonds"), consisting of Series A Bonds in the principal amount of \$64,875,000 and Series B Bonds in the principal amount of \$35,125,000. The Series A Bonds are being issued pursuant to a Trust Agreement, dated as of May 15, 2002 (the "Series A Trust Agreement"), between the Commission and J.P. Morgan Trust Company, National Association, as trustee (the "Trustee"). The Series B Bonds are being issued pursuant to a Trust Agreement, dated as of May 15, 2002 (the "Series B Trust Agreement"), between the Commission and the Trustee. The Series A Bonds will be issued for the purpose of paying costs of certain educational facilities of Case Western Reserve University (the "Series A Project"), costs of issuance of the Series A Bonds and for such other uses as are permitted under the Series A Lease (as defined below) and Chapter 3377 of the Ohio Revised Code (the "Act"). The Series B Bonds will be issued for the purpose of paying costs of certain educational facilities of Case Western Reserve University (the "Series B Project"), costs of issuance of the Series B Bonds and for such other uses as are permitted under the Series B Lease (as defined below) and the Act. See "THE PROJECTS AND USE OF PROCEEDS" herein for a more complete description of the Projects. The Series A Project and the Series B Project will each consist of that portion of the Projects financed through the issuance of the Series A Bonds and the Series B Bonds, respectively.

The Bonds will be dated and mature as set forth on the inside cover page. The Bonds will be subject to redemption prior to maturity as described herein under "THE BONDS – Description of the Series A Bonds – Redemption" and "– Description of the Series B Bonds – Redemption."

All of the educational facilities constituting the Series A Project and the Series B Project (collectively, the "Projects") are located on the Case Western Reserve University (the "University") campus in Cleveland, Ohio. The Series A Project will be leased by the University to the Commission under the Base Lease, dated as of May 15, 2002 relating to the Series A Bonds (the "Series A Base Lease"). The Series B Project will be leased by the University to the Commission under the Base Lease, dated as of May 15, 2002 relating to the Series B Bonds (the "Series B Base Lease"). The Series A Project will be leased by the Commission to the University pursuant to the Lease, dated as of May 15, 2002, between the Commission and the University relating to the Series A Bonds (the "Series A Lease"). The Series B Project will be leased by the Commission to the University pursuant to the Lease, dated as of May 15, 2002, between the Commission and the University relating to the Series B Bonds (the "Series B Lease"). The University is required by the Series A Lease and the Series B Lease (collectively, the "Leases") to make payments equal to the principal of and premium, if any, and interest on the respective series of Bonds, whether at maturity, upon acceleration or upon redemption (the "Bond Service Charges"). Bond Service Charges on the Series A Bonds will be required to be made by the University as rental payments (the "Series A Rental Payments") under the Series A Lease. Bond Service Charges on the Series B Bonds will be required to be made by the University as rental payments (the "Series B Rental Payments") under the Series B Lease. In the Leases, the University has agreed to purchase the Commission's interest in the Projects after all of the Bond Service Charges have been paid.

Upon the issuance of the Series A Bonds, the University, the Trustee and Landesbank Hessen-Thüringen Girozentrale, acting through its New York Branch (the “Bank”), will enter into a Standby Bond Purchase Agreement, dated as of May 15, 2002 (the “Initial Liquidity Facility”), pursuant to which the Bank will agree, in certain circumstances, to purchase the Series A Bonds bearing interest at a Daily Rate or a Weekly Rate that are tendered or deemed tendered by the owners thereof for purchase pursuant to the Series A Trust Agreement and not remarketed by Morgan Stanley & Co. Incorporated, as remarketing agent (the “Remarketing Agent”). The Initial Liquidity Facility expires on June 3, 2003, unless extended or terminated in accordance with its terms. The term “Liquidity Provider” in this Offering Circular refers to the Bank during the period that the Initial Liquidity Facility is in effect. The Liquidity Facility (as defined below) does not secure payment of the principal of, premium, if any, and interest on the Series A Bonds. See “THE BONDS – Description of the Series A Bonds – Liquidity Facility” herein.

Under certain circumstances described in the Series A Trust Agreement, the Initial Liquidity Facility may be replaced by an alternate liquidity facility (such as a letter of credit, a line of credit or a bond purchase agreement) supporting payment of the purchase price of tendered or deemed tendered Series A Bonds (an “Alternate Liquidity Facility”). The delivery of an Alternate Liquidity Facility will result in the mandatory tender of the Series A Bonds, unless each Rating Service confirms in writing that the then current rating on the Series A Bonds will not be reduced or withdrawn as the result of the delivery of such Alternate Liquidity Facility. The Initial Liquidity Facility and any Alternate Liquidity Facility are referred to collectively in this Offering Circular as the “Liquidity Facility.” Under certain circumstances described in the Series A Trust Agreement, the University may discontinue use of a Liquidity Facility. See “THE BONDS – Description of the Series A Bonds – Mandatory Tender” and “– Alternate Liquidity Facilities.”

The Bonds are special obligations of the State of Ohio (the “State”) and the Bond Service Charges on the Bonds will be payable from revenues to be derived by the Commission from its ownership of the Projects, including the Series A Rental Payments with respect to the Series A Bonds, the Series B Rental Payments with respect to the Series B Bonds and certain other amounts, all as provided in the Series A Lease, the Series B Lease, the Series A Trust Agreement and the Series B Trust Agreement and as hereinafter described under “SECURITY AND SOURCES OF PAYMENT.”

The Series A Bonds are secured by the Series A Trust Agreement, which grants to the Trustee a security interest in the Series A Revenues as described herein under “SECURITY AND SOURCES OF PAYMENT.” The Series A Bonds are further secured by the Guaranty Agreement, dated as of May 15, 2002, between the University and the Trustee relating to the Series A Bonds (the “Series A Guaranty”) by which the University unconditionally guarantees the payment of the Bond Service Charges on the Series A Bonds as described herein under “THE GUARANTIES.”

The Series B Bonds are secured by the Series B Trust Agreement, which grants to the Trustee a security interest in the Series B Revenues as described herein under “SECURITY AND SOURCES OF PAYMENT.” The Series B Bonds are further secured by the Guaranty Agreement, dated as of May 15, 2002, between the University and the Trustee relating to the Series B Bonds (the “Series B Guaranty”) by which the University unconditionally guarantees the payment of the Bond Service Charges on the Series B Bonds as described herein under “THE GUARANTIES.”

Brief descriptions of the Commission, the University, the Projects, the Bonds, the Leases, the Series A Trust Agreement and the Series B Trust Agreement (collectively, the “Trust Agreements”), and the Series A Guaranty and the Series B Guaranty (collectively, the “Guaranties”) are included in this Offering Circular. The descriptions herein of the Bonds, the Leases, the Trust Agreements and the Guaranties are qualified in their entirety by reference to each such document. The description of the University consists of certain information and data provided by it (as set forth in Appendix A) and certain of its audited consolidated financial statements (as set forth in Appendix B). All descriptions are further qualified in their entirety by reference to laws and principles of equity relating to or affecting generally the enforcement of creditors’ rights. Copies of the above described documents are available for inspection during the initial offering period at the principal office of Morgan Stanley & Co. Incorporated, 1221 Avenue of the Americas, 30th Floor, New York, New York 10020, the principal office

of NatCity Investments, Inc., 1965 East 6th Street, Suite 800, Cleveland, Ohio 44114, and the principal office of McDonald Investments Inc., 800 Superior Avenue, Cleveland, Ohio 44114 and thereafter at the corporate trust office of the Trustee.

THE COMMISSION

The Commission is a body both corporate and politic, constituting an agency or instrumentality of the State. It was created in 1968 by, and exists under, the Act. The Commission was established to enhance educational opportunities for the people of the State and to alleviate the pressing demands upon tax-supported colleges and universities by enhancing the availability, efficiency and economy of educational facilities for private colleges and universities by facilitating or achieving lower costs for the financing or refinancing of such educational facilities.

The Commission is authorized, among other things, to issue revenue bonds of the State to provide funds for acquiring, constructing, equipping and furnishing educational facilities that are leased to private colleges or universities. Each issue of bonds by the Commission is secured by a pledge and assignment of the payments received by the Commission pursuant to the lease of the applicable educational facilities and may be secured by a mortgage on such facilities. In the lease, the college or university has the option to purchase the facilities prior to the termination of the lease and the college or university agrees to purchase the facilities at the lease termination, in each case after provision has been made for the retirement or redemption of all the bonds issued for such facilities. The Commission does not make any grants and has access to capital improvement funds only through the issuance of revenue bonds.

The Commission may lease projects to private, nonprofit institutions of higher education that hold effective certificates of authorization issued by the Ohio Board of Regents, but not to institutions whose principal educational activity is preparing students for religious or ecclesiastical fields. The Commission may acquire and lease any facility that is academic, administrative or auxiliary thereto, other than facilities used for sectarian instruction or study or for devotional activities or religious worship.

The Commission consists of nine members, including the Chancellor of the Ohio Board of Regents, or his designee, as an *ex officio* member. The other eight members are appointed to overlapping eight-year terms by the Governor with the advice and consent of the State Senate. The Chairman is designated by the Governor, and the other officers, including the Vice Chairman, the Secretary and the Assistant Secretary, are elected by the members from their own number.

The members of the Commission receive no compensation for their services but are entitled to reimbursement for their actual and necessary expenses. The Commission's offices are located in Columbus, Ohio. The Commission does not have any employees. The Ohio Board of Regents provides staffing assistance to the Commission when necessary.

Dr. Kenneth Kutina, Vice President for Institutional Planning and Analysis of the University, is a member of the Commission. He did not participate in the deliberations of the Commission and did not vote on any Commission resolutions relating to the University.

THE UNIVERSITY

Case Western Reserve University, an Ohio nonprofit corporation, is the largest independent research university in Ohio, providing undergraduate, graduate and professional programs in health (including medicine, nursing and dentistry), engineering, the arts and sciences, law, management and social work. The University's missions are to:

1. Offer undergraduate education that preserves the strengths of traditional disciplinary majors while integrating content and methods from technology, the arts and sciences, and the professions;
2. Prepare students for leadership in professions that are important to society; and
3. Advance, through research and scholarship, the understanding of its chosen disciplines and their applications.

See APPENDIX A – “CASE WESTERN RESERVE UNIVERSITY” for a more complete description of the University.

THE PROJECTS AND USE OF PROCEEDS

The Projects consist of constructing, equipping and furnishing student residence facilities, constructing and equipping a parking garage, constructing and equipping a new addition to the Harland Wood Building of the School of Medicine and renovating and equipping that building, and renovating and equipping various other educational facilities including classrooms, laboratories, faculty offices, residence halls, the West Quad, administrative offices, athletic, recreational and health facilities and other campus facilities.

The following are the estimated sources and uses of funds to be derived from the sale of the Bonds, as provided by the University.

Sources of Funds

Par Amount of Series A Bonds	\$64,875,000
Par Amount of Series B Bonds	35,125,000
Net Premium on Series A Bonds	<u>929,427</u>
Total	<u>\$100,929,427</u>

Uses of Funds

Payment of Costs of the Projects	\$100,210,818
Payment of Costs of Issuance ⁽¹⁾	<u>718,609</u>
Total	<u>\$100,929,427</u>

⁽¹⁾ Includes Underwriters’ discount, legal fees, trustee fees, printing and other costs of issuance.

THE BONDS

Description of the Series A Bonds

The Series A Bonds will be issued as fully registered bonds without coupons in denominations of \$100,000 and integral multiples of \$5,000 in excess thereof so long as the Series A Bonds bear interest at a Daily Rate or Weekly Rate; in denominations of \$100,000 and integral multiples of \$1,000 in excess thereof if the Series A Bonds bear interest at a Commercial Paper Rate; in denominations of \$25,000 or any integral multiple thereof if the Series A Bonds bear interest at a Dutch Auction Rate; and in denominations of \$5,000 or any integral multiple thereof if the Series A Bonds bear interest at a Term Rate. The Series A Bonds will mature, subject to prior redemption, on October 1, 2031 (the “Maturity Date”). The Series A Bonds will be dated as of the date of first authentication and delivery of the Series A Bonds under the Series A Trust Agreement. The

Series A Bonds, when issued, will be registered in the name of Cede & Co., as nominee for DTC. Payment of the principal of and interest on the Series A Bonds will be made directly to DTC or its nominee, Cede & Co., by the Trustee. See “Book-Entry System” under this section.

Initially, all of the Series A Bonds will be issued in the Daily Rate Period. At any given time, any Series A Bond may operate in one of five Rate Periods: a Daily Rate Period, a Weekly Rate Period, a Commercial Paper Rate Period, a Dutch Auction Rate Period or a Term Rate Period (each, a “Rate Period”). While in any of these Rate Periods, such Series A Bond will bear interest at a Daily Rate, a Weekly Rate, a Commercial Paper Rate, a Dutch Auction Rate or a Term Rate, respectively.

The Series A Bonds are subject to optional and mandatory tender for purchase under certain circumstances as described below under the captions “Optional Tender” and “Mandatory Tender.”

The following table provides a brief summary of the terms applicable to the Series A Bonds while they are in a Daily Rate Period. Appendix D contains a summary of the terms applicable to the Series A Bonds while they are in a Weekly, Commercial Paper or Term Rate Period. See APPENDIX D, “SUMMARY OF APPLICABLE INTEREST RATES AND OTHER TERMS OF BONDS.” Such table and summaries set forth therein do not purport to be comprehensive or definitive and are subject in all respects to the complete terms and provisions set forth in the Series A Trust Agreement. Investors must read the entire Offering Circular to obtain information essential to making an informed investment decision. See also APPENDIX C, “CERTAIN DEFINED TERMS AND SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENTS, THE LEASES AND THE TAX AGREEMENTS.” **So long as the Series A Bonds are in book-entry form, each Beneficial Owner of a Series A Bond may desire to make arrangements with a Participant in DTC to receive notices or communications with respect to matters described in the table.**

Daily Rate Period Terms.

Interest Payment Date:	1st Business Day of each calendar month beginning July 1, 2002.
Record Date:	The last Business Day of the Interest Period.
Rate Determination Date:	Not later than 10:30 a.m. on each Business Day.
Date on Which Rate Becomes Effective:	Each Business Day.
Notice of Rate:	Remarketing Agent notifies Trustee of any change by 4:00 p.m. on the day such rate is determined.
Notice Period for Optional Tender:	Telephonic or electronic notice not later than 10:00 a.m. on the Purchase Date.
Payment for Series A Bonds Tendered:	Before 2:30 p.m. on the Purchase Date in immediately available funds.
Mandatory Purchase Date:	Conversion Date (unless to a Weekly Rate Period) or the expiration or termination of the Liquidity Facility or the delivery of an Alternate Liquidity Facility which results in the reduction or withdrawal of the then current rating on the Series A Bonds.
Rate Period Change Date Notice from University to Notice Parties:	Not less than 20 days before a Conversion Date from a Variable Rate Period and not less than 35 days before a Conversion Date from a Term Rate Period.

Rate Period Change Date Notice
Mailed to Series A Bond Owners:

Not less than 15 days before a Conversion Date from a Variable Rate Period and 30 days before a Conversion Date from a Term Rate Period.

Conversion Date:

Any Interest Payment Date (but if changed between a Daily and a Weekly Rate Period, on any Wednesday).

Interest Rates and Rate Periods.

The Series A Bonds will bear interest at a Daily, Weekly, Commercial Paper, Dutch Auction or Term Rate. The interest rate on the Series A Bonds will be determined by the Remarketing Agent (other than a Dutch Auction Rate) as the lowest rate of interest which in its judgment will cause the Series A Bonds to have a market value, on the commencement date of such Rate Period equal to the principal amount of the Series A Bonds plus accrued and unpaid interest, if any, taking into account prevailing market conditions as of such date of determination; provided that the interest rate may not exceed the Maximum Rate (10% per annum).

Interest on the Series A Bonds will be calculated on the basis of (i) a 365 or 366-day year, as appropriate, for the actual number of days elapsed, while the Series A Bonds bear interest at a Daily Rate, (ii) a 365 or 366-day year, as appropriate, for the actual number of days elapsed, based on the calendar year in which the Weekly Rate Period commences, while the Series A Bonds bear interest at a Weekly Rate, (iii) a 365 or 366-day year, as appropriate, for the actual number of days elapsed, based on the calendar year in which the Commercial Paper Rate Period commences, while the Series A Bonds bear interest at a Commercial Paper Rate, (iv) a 360-day year for the actual number of days elapsed, based on the calendar year in which the Dutch Auction Rate Period commences, while the Series A Bonds bear interest at a Dutch Auction Rate, and (v) a 360-day year of twelve 30-day months while the Series A Bonds bear interest at a Term Rate.

Interest on the Series A Bonds will be paid to the registered owners thereof with respect to (i) Series A Bonds bearing interest at a Daily Rate or a Weekly Rate on the first Business Day of each calendar month following a month in which interest at such Rate has accrued, respectively; (ii) Series A Bonds bearing interest at a Commercial Paper Rate on the first Business Day following the last day of the Commercial Paper Rate Period applicable to such Series A Bonds; (iii) Series A Bonds bearing interest at the Dutch Auction Rate (a) for an Auction Period of 91 days or less, the Business Day immediately succeeding the last day of such Auction Period and (b) for an Auction Period of more than 91 days, each 13th Wednesday after the first day of such Auction Period and the Business Day immediately succeeding the last day of such Auction Period (in each case it being understood that in those instances where the immediately preceding Auction Date falls on a day that is not a Business Day, the Interest Payment Date, with respect to the succeeding Auction Period shall be one Business Day immediately succeeding the next Auction Date); and (iv) Series A Bonds bearing interest at a Term Rate on the first day of the sixth calendar month following the month in which the Rate Period begins and on the first day of each sixth calendar month thereafter. The first Interest Payment Date for the Series A Bonds will be July 1, 2002.

Daily Rate Period; Daily Rate. A Daily Rate Period will commence on a Daily Rate Conversion Date, which will be a Business Day, and on each Business Day thereafter until the type of Rate Period for the Series A Bonds is converted to another type of Rate Period and will extend to, but not include, the next succeeding Business Day. Series A Bonds in a Daily Rate Period will bear interest at a Daily Rate.

When interest on the Series A Bonds is payable at a Daily Rate, the Remarketing Agent will determine the Daily Rate by 10:30 a.m. (New York City time) on the first Business Day of the Daily Rate Period to which it relates and will notify the Trustee of any change in the Daily Rate by 4:00 p.m. (New York City time) on the day such Daily Rate is determined, by telephone, and will confirm in writing to the Trustee each month the Daily Rates in effect during that month, provided that if there has been no change in the Daily Rate for a Daily Rate Period, the Remarketing Agent is not required to notify the Trustee of the determination of such Daily Rate. The

Daily Rate for each Daily Rate Period will be effective from and including the commencement date thereof to, but not including, the next succeeding Business Day.

Weekly Rate Period; Weekly Rate. A Weekly Rate Period will commence on a Wednesday and end on Tuesday of the following week and each Weekly Rate Period will be followed by another Weekly Rate Period until the Rate Period of the Series A Bonds is converted to another type of Rate Period; provided that (i) in the case of a conversion to a Weekly Rate Period from a different Rate Period, the Weekly Rate Period will commence on the Conversion Date and will end on Tuesday of the following week and (ii) in the case of a conversion from a Weekly Rate Period to a different Rate Period, the last Weekly Rate Period prior to a conversion will end on the day immediately preceding the Conversion Date to the new Rate Period.

The Weekly Rate for each Weekly Rate Period will be effective from and including the commencement date of such period and will remain in effect through and including the last day thereof. Each such Weekly Rate will be determined by the Remarketing Agent no later than 10:00 a.m. (New York City time) on the commencement date of the Weekly Rate Period to which it relates and be given to the Trustee by the Remarketing Agent by telephone by 4:00 p.m. (New York City time) on the day such Weekly Rate is determined. The Remarketing Agent will confirm in writing to the Trustee the Weekly Rates in effect during each month.

Commercial Paper Rate Period; Commercial Paper Rate. The Commercial Paper Rate Period for each Series A Bond to which such Rate Period applies shall be determined separately by the Remarketing Agent on or prior to the first day of such Commercial Paper Rate Period as being the Commercial Paper Rate Period permitted under the Series A Trust Agreement which, in the judgment of the Remarketing Agent, will, with respect to each such Series A Bond, produce the lowest overall interest cost on such Series A Bonds during the Commercial Paper Rate Period; provided that each Commercial Paper Rate Period shall be from one day to 270 days in length, shall begin on a Business Day and end on a day preceding a Business Day or the day preceding the Maturity Date. The Commercial Paper Rate for each Commercial Paper Rate Period shall be effective from and including the commencement date of such period and remain in effect to and including the last day thereof. Each such Commercial Paper Rate shall be determined by the Remarketing Agent no later than 1:00 p.m. (New York City time) on the first day of the Commercial Paper Rate Period as the minimum rate of interest necessary, in the judgment of the Remarketing Agent, to enable the Remarketing Agent to sell such Series A Bond on that day at a price equal to the principal amount thereof plus accrued interest. If the Remarketing Agent has received notice of any conversion to a Term Rate Period, the remaining number of days prior to the Conversion Date or, if the Remarketing Agent has received notice of any conversion from a Commercial Paper Rate Period to a Daily or Weekly Rate Period, the length of each Commercial Paper Rate Period for each such Series A Bond shall be determined by the Remarketing Agent to be either (A) that length of period that, as soon as possible, shall enable the Commercial Paper Rate Periods for all such Series A Bonds to end on the day before the Conversion Date, or (B) that length of period which, based on the Remarketing Agent's judgment, will best promote an orderly transition to the next Rate Period.

Dutch Auction Rate Period; Dutch Auction Rate. The Dutch Auction Rate Period will commence on a Conversion Date to the Dutch Auction Rate. During a Dutch Auction Rate Period, each Auction Period will be a period of between one and 364 days, commencing initially on the Conversion Date and, thereafter, on the last Interest Payment Date for the immediately preceding Auction Period. The University may change the length of the Auction Period from time to time if certain conditions are met.

Upon conversion to a Dutch Auction Rate Period, the Series A Bonds will bear interest during the initial Auction Period after the Conversion Date at a Dutch Auction Rate determined by the Market Agent appointed by the University pursuant to the Series A Trust Agreement. Thereafter, the Series A Bonds will bear interest at the Dutch Auction Rate which is established from time to time using the Dutch Auction procedures set forth in the Series A Trust Agreement. The Dutch Auction Rate shall not exceed 10% per annum.

Term Rate Period; Term Rate. Each Term Rate Period will (a) commence either on a Conversion Date (including a conversion from a Term Rate Period to an immediately successive Term Rate Period of the same duration or a Term Rate Period of a different duration) and (b) extend to but not include either the commencement

date of an immediately successive Term Rate Period (of whatever duration) or the Conversion Date on which a Daily Rate Period, Weekly Rate Period, Commercial Paper Rate Period or Dutch Auction Rate Period becomes effective. The Term Rate for each Term Rate Period will be effective from and including the commencement date of such Rate Period and remain in effect through and including the last day thereof. Each such Term Rate will be determined by the Remarketing Agent not later than 12:00 noon (New York City time) on the Business Day immediately preceding the commencement date of such Rate Period and be given to the Trustee by the Remarketing Agent by telephone by the close of business on the day such Term Rate is determined and confirmed in writing by the close of business on the next Business Day. The duration of each successive Term Rate Period applicable to all or any portion of the Series A Bonds will be the same as the then current Term Rate Period applicable to such Series A Bonds until the University elects to convert such Term Rate Period to a Daily Rate Period, Weekly Rate Period, Commercial Paper Rate Period or Dutch Auction Rate Period, or to a Term Rate Period of a different duration. Upon the expiration of any Term Rate Period, the Series A Bonds to which such Term Rate Period applies will be subject to mandatory tender for purchase as described in the Trust Agreement.

Rates Binding. All determinations of the rates and the calculation of interest payable on the Series A Bonds as described above will be conclusive and binding on the Holders of the Series A Bonds, the University, the Commission, the Paying Agent, the Bank and the Trustee. The Applicable Rate in effect for the Series A Bonds will be available to the Holders of the Series A Bonds on the date such Applicable Rate is determined, on or after 5:00 p.m. (New York City time) from the Remarketing Agent or the Trustee at their respective principal or designated offices. In any case, where the date of payment of any principal or purchase price of or interest on any Series A Bond is a day that is not a Business Day, then such payment need not be made on such date, but may be made on the next succeeding Business Day with the same force and effect as if made on the date of payment, and no interest on such payment will accrue for the period after such date.

Failure of Remarketing Agent to Determine Rate. If the Remarketing Agent fails for any reason to determine the Applicable Rate for any Rate Period, then the Series A Bonds to which such Rate Period applies will bear interest at the last effective rate established for such Rate Period. The Trustee will promptly notify the University and each Holder of such Series A Bonds of such fact.

Conversion Between Rate Periods.

At the option of the University, the Series A Bonds may be converted from one Rate Period to another Rate Period, including a conversion from one Term Rate Period to an immediately successive Term Rate Period of the same duration or a Term Rate Period of a different duration, and any portion of the Series A Bonds may be converted from a Variable Rate Period to a Term Rate Period, from a Term Rate Period to a Variable Rate Period that is the same Variable Rate Period applicable to all Variable Rate Bonds then outstanding or from a Term Rate Period to an immediately successive Term Rate Period of the same duration or a Term Rate Period of a different duration, provided that such portion of the Series A Bonds is an Authorized Denomination.

Conversion Date. The Conversion Date will be an Interest Payment Date for the Rate Period from which the conversion is to be made; provided, however, that (a) if the conversion is from a Term Rate Period to another Rate Period, including a Term Rate Period of a different duration, the Conversion Date will be limited to any Interest Payment Date upon which the Series A Bonds being converted are subject to optional redemption or the last Interest Payment Date of that Term Rate Period; (b) if the conversion is from a Daily Rate Period to a Weekly Rate Period, or from a Weekly Rate Period to a Daily Rate Period, the Conversion Date may be any Wednesday, regardless of whether the Wednesday is an Interest Payment Date; and (c) if the conversion is from a Commercial Paper Rate Period or Dutch Auction Rate Period, the Conversion Date shall be the last Interest Payment Date on which interest is payable for all Series A Bonds bearing Commercial Paper Rates or Dutch Auction Rates theretofore established pursuant to the Series A Trust Agreement, provided, however, that if the conversion is from a Commercial Paper Rate Period to a Daily or Weekly Rate Period, there may be more than one Conversion Date in accordance with the Series A Trust Agreement and in that case the Conversion Date with respect to each Series A Bond being converted must be an Interest Payment Date for such Series A Bond.

Notice of Conversion by University. The University will give written notice of any such conversion to the Commission, the Remarketing Agent, the Trustee and the Bank not fewer than 35 days prior to the proposed Conversion Date in the case of a conversion from a Term Rate Period, or 20 days in the case of a conversion from a Daily Rate Period, a Weekly Rate Period, a Commercial Paper Rate Period or a Dutch Auction Rate Period. Such notice will specify (a) the proposed Conversion Date, (b) the type of Rate Period to which the conversion will be made, and (c) in the case of conversion to a Term Rate Period, the length of such Term Rate Period.

Notice of Conversion to Series A Bondholders. Not fewer than 15 days prior to the Conversion Date in the case of a conversion from a Daily Rate Period, a Weekly Rate Period, a Commercial Paper Rate Period or a Dutch Auction Rate Period, and not fewer than 30 days prior to the Conversion Date in the case of a conversion from a Term Rate Period, the Trustee will mail, by first class mail, a written notice of the conversion to each Holder of Series A Bonds being converted at the Holder's address as it appears on the registration books kept by the Registrar. Such notice will state (a) the type of Rate Period to which the conversion will be made and the Conversion Date; (b) that the Series A Bonds being converted will be subject to mandatory tender for purchase on the Conversion Date (except in the case of conversions between Daily and Weekly Rate Periods); and (c) the Purchase Price of such Series A Bonds and information with respect to required delivery of bond certificates no longer in Book entry form.

Conditions Precedent to Conversions. Any conversion from any Rate Period to any other Rate Period is subject to the condition that on or before the Conversion Date, the University (i) will have delivered to the Commission, the Trustee and the Remarketing Agent an opinion of Bond Counsel to the effect that the conversion is authorized under the Series A Trust Agreement and will not adversely affect the exclusion from gross income of interest on the Series A Bonds for federal income tax purposes and (ii) will have complied with all applicable federal securities laws in connection with remarketing the Series A Bonds. Any conversion to a Term Rate, if a Liquidity Facility is to be in effect, shall be subject to the condition that a Liquidity Facility provides for an amount equal to 183 days' accrued interest on the Series A Bonds. Additionally, any conversion to a Commercial Paper Rate Period, if a Liquidity Facility is to be in effect, shall be subject to the condition that a Liquidity Facility provides for an amount of accrued interest on the Series A Bonds equal to the number of days in the Commercial Paper Rate Period plus three days.

Failure of Conversion. If for any reason a condition precedent to a conversion of all or any portion of the Series A Bonds is not met, such conversion will not be effective, and such Series A Bonds, (a) if they bore interest at a Dutch Auction Rate will remain in the Dutch Auction Rate, (b) if they bore interest at any Daily Rate, Weekly Rate or Commercial Paper Rate, or a Term Rate for a Term Rate Period of a duration of one year, will be converted to a Weekly Rate Period and bear interest at the Weekly Rate determined by the Remarketing Agent as of the date on which the conversion was to occur; or (c) if they bore interest at a Term Rate for a Term Rate Period of a duration of more than one year, may be converted to a Weekly Rate Period so long as an opinion of Bond Counsel has been delivered to the Trustee to the effect that the conversion to a Weekly Rate Period will not adversely affect the exclusion of interest on the Series A Bonds from gross income and, in that case, will bear interest at the Weekly Rate determined by the Remarketing Agent as of the date on which the conversion was to occur; in the event that such opinion of Bond Counsel has not been delivered, such Series A Bonds automatically will be converted to a Term Rate Period of a duration of one year, and will bear interest at a Term Rate equal to a Term Rate for such period determined by the Remarketing Agent as of the date on which the conversion was to occur, or if in that instance the Remarketing Agent fails to determine that rate, then at a rate of interest equal to the lesser of (i) 115% of the most recently published Bond Market Association Municipal Swap Index or (ii) the Maximum Rate. The Trustee will promptly notify the University and each Holder of such Series A Bonds of such fact.

Optional Tender.

The Holders of any Series A Bonds bearing interest at a Daily Rate or a Weekly Rate may elect to have their Series A Bonds (or portion thereof in an authorized denomination) purchased at a purchase price equal to 100% of the principal amount thereof plus accrued and unpaid interest, if any, accrued from the immediately preceding Interest Payment Date (the "Purchase Price") as described below:

Daily Rate Tender. Series A Bonds bearing interest at a Daily Rate may be tendered for purchase on any Business Day upon telephonic (promptly confirmed in writing) or electronic notice of tender given to the Paying Agent not later than 10:00 a.m. (New York City time) on the date of purchase.

Weekly Rate Tender. Series A Bonds bearing interest at a Weekly Rate may be tendered for purchase on any Business Day upon written or electronic notice of tender to the Paying Agent, not later than 5:00 p.m. (New York City time) on a Business Day not fewer than seven days prior to the date of purchase.

The Series A Bonds shall not be subject to optional tender for purchase during a Commercial Paper, Dutch Auction or Term Rate Period.

Notice of Tender. Each notice of tender (i) must, in the case of a written notice, be delivered to the Paying Agent at its designated office (initially, J.P. Morgan Trust Company, National Association, Chase Financial Tower, 250 W. Huron Road, 2nd Floor, Cleveland, Ohio 44113, Attention: Corporate Trust Department) and be in form satisfactory to the Paying Agent; (ii) must state (A) the principal amount of Series A Bonds to which the notice relates, (B) that the Holder irrevocably demands purchase of such Series A Bonds or a specified portion thereof in Authorized Denominations, (C) the date on which such Series A Bonds or portion thereof is to be purchased, and (D) payment instructions with respect to the Purchase Price; and (iii) will automatically constitute (A) an irrevocable offer to sell the Series A Bonds (or portion thereof) to which the notice relates on the specified purchase date at the Purchase Price, (B) an irrevocable authorization and instruction to the Registrar to effect transfer of such Series A Bonds (or portion thereof) upon payment of the Purchase Price to the Paying Agent on the purchase date, (C) an irrevocable authorization and instruction to the Registrar to effect the exchange of the Series A Bonds to be purchased in whole or in part for other Series A Bonds (or portion thereof to be purchased), and (D) an acknowledgment that such Holder will have no further rights with respect to such Series A Bond or portion thereof upon payment of the Purchase Price thereof to the Paying Agent on the purchase date, except for the right of such Holder to receive such Purchase Price upon delivery of such Series A Bonds to the Paying Agent, and that after the purchase date such Holder will hold any undelivered certificate as agent for the Paying Agent. The determination of the Paying Agent as to whether a notice of tender has been properly delivered pursuant to the foregoing is conclusive and binding upon the Holder.

Mandatory Tender.

The Series A Bonds are subject to mandatory tender for purchase at the Purchase Price, as follows:

Commercial Paper Rate Periods. Each Series A Bond bearing interest at a Commercial Paper Rate shall be subject to mandatory tender for purchase, on the Interest Payment Date applicable to such Series A Bond.

Mandatory Tender upon Conversion between Certain Rate Periods. Series A Bonds to be converted from one Rate Period to a different Rate Period (except conversions from the Daily Rate Period to the Weekly Rate Period or from the Weekly Rate Period to the Daily Rate Period), including conversion from one Term Rate Period to a new Term Rate Period, are subject to mandatory tender for purchase on the Conversion Date.

Mandatory Tender with respect to the Liquidity Facility. (a) On the last Interest Payment Date prior to the Expiration Date (being the date upon which the Bank's obligations to purchase related Series A Bonds under the Liquidity Facility is scheduled to expire (taking into account any extensions of the Expiration Date in accordance with its terms)).

(b) On the Business Day preceding the effective date of any Alternate Liquidity Facility where the delivery and effectiveness of such Alternate Liquidity Facility will result in the reduction or withdrawal by any Rating Service of the then current rating on the Series A Bonds.

(c) On the fifth Business Day preceding the date on which the Liquidity Facility will terminate following receipt by the Trustee of written notice from the Liquidity Provider to the effect that an event of default has occurred under the Liquidity Facility and the Liquidity Provider is terminating its obligation to provide funds

under that Liquidity Facility, unless the University has delivered to the Trustee an Alternate Liquidity Facility which meets the requirements set forth in the Series A Trust Agreement and based on written evidence from any Rating Service then rating the Series A Bonds will not result in the reduction or withdrawal by any Rating Service of the then current rating on the Series A Bonds. See “Liquidity Facility – Consequences of Events of Default.”

(d) On the fifth Business Day preceding the date on which the Liquidity Facility then in effect will terminate following the University’s voluntary termination of the Liquidity Facility.

Notice by Trustee. Notice of a mandatory tender for purchase in the case of mandatory tender upon conversion between certain rate periods shall be given to each Holder of a Series A Bond subject to such mandatory tender for purchase. When applicable, this notice may be combined with the notice of conversion of Rate Period delivered by the Trustee as described herein under the caption “THE BONDS – Description of the Series A Bonds – Conversion Between Rate Periods.” In the case of mandatory tender pursuant to paragraph (a) or (b) under “Mandatory Tender with respect to the Liquidity Facility” above, the Trustee shall give notice of such mandatory tender at least 20 days prior to the purchase date. In the case of mandatory tender pursuant to paragraph (c) or (d) under “Mandatory Tender with respect to the Liquidity Facility” above, the Trustee shall immediately upon receipt of written notice from the Bank or the University, as the case may be, give notice of such mandatory tender. No failure on the part of the Trustee to give such notice will affect the requirement that Series A Bonds be tendered for purchase on the mandatory tender date.

Delivery of Bonds.

A Holder of a Series A Bond tendered or required to be tendered for purchase must deliver its Series A Bond to the Trustee at or before (A) 12:00 noon (New York City time) on the purchase date in the case of Series A Bonds accruing interest at a Weekly Rate; (B) 1:00 p.m. (New York City time) on the purchase date in the case of Series A Bonds bearing interest at a Daily or Commercial Paper Rate; or (C) 2:30 p.m. (New York City time) on the purchase date in the case of Series A Bonds bearing interest at a Term Rate. (Delivery of a beneficial owner’s interest in a Series A Bond while Cede & Co. is the sole registered owner of the Series A Bonds will occur when the ownership rights in such Series A Bond are transferred by a Direct Participant on DTC’s records (as these terms are defined below) in accordance with DTC’s customary procedures).

If a Holder has elected to tender any Series A Bond for purchase, or if any Series A Bond is subject to mandatory tender for purchase, and if, in either case, the Paying Agent is in receipt of an amount sufficient to pay the Purchase Price, then such Series A Bond (or portion) will be deemed purchased on the purchase date, and ownership of such Series A Bond (or portion) will be transferred to the purchaser thereof. Any Holder who fails to deliver such Series A Bond for purchase will not be entitled to any payment other than the Purchase Price for such Series A Bond upon surrender of such Series A Bond to the Paying Agent.

Payment of Purchase Price.

Payment of the Purchase Price of Series A Bonds to be purchased upon optional or mandatory tender as described herein will be made by the Trustee at or before 2:30 p.m. (New York City time) on the date of purchase and upon receipt by the Trustee of 100% of the aggregate Purchase Price of the tendered Bonds, in immediately available funds. The Purchase Price of the Series A Bonds tendered for purchase will be paid by the Trustee from the:

- (a) proceeds of the remarketing of such Series A Bonds by the Remarketing Agent;
- (b) moneys provided under the Liquidity Facility; and
- (c) if and only when there are insufficient funds available pursuant to paragraphs (a) and (b) above, moneys made available by the University.

Series A Bonds purchased with moneys described in clause (b) above shall be registered by the Trustee in the name of the Bank (the "Bank Bonds") and delivered by the Trustee to the Bank or as otherwise provided in the Liquidity Facility (or if the Series A Bonds are held in the Book-Entry System, such Series A Bonds shall be recorded in the books of the Depository for the account of the Bank or as otherwise provided in the Liquidity Facility).

Liquidity Facility.

The following is a summary of certain provisions of the Initial Liquidity Facility. The following summary does not purport to be a full and complete statement of the provisions of the Initial Liquidity Facility and the Initial Liquidity Facility should be read in full for a complete understanding of all the terms and provisions thereof. Copies of the Initial Liquidity Facility may be obtained upon request from the corporate trust office of the Trustee. See APPENDIX F – "THE BANK" for certain information regarding the Bank.

The Bank agrees under the Initial Liquidity Facility, on the terms and conditions set forth therein, to purchase the Series A Bonds bearing interest at a Daily Rate and a Weekly Rate (the "Covered Rate") that are tendered pursuant to certain provisions of the Series A Trust Agreement. The Initial Liquidity Facility is scheduled to terminate on June 3, 2003, unless extended as described therein or unless terminated or suspended as described therein.

The Initial Liquidity Facility will initially provide a commitment in an amount equal to the principal amount of the Series A Bonds and 34 days' of interest at a maximum rate of 10% per annum (the "Available Commitment") to purchase, on the terms and conditions set forth in the Initial Liquidity Facility, the Series A Bonds bearing interest at the Covered Rate which may be tendered pursuant to optional tender or mandatory tender, other than Bank Bonds or Series A Bonds owned by or on behalf of or held for the account or benefit of the University (such Series A Bonds subject to purchase are hereinafter referred to as "Eligible Bonds"). The Initial Liquidity Facility may be terminated or suspended under certain circumstances as described under the subcaptions "Events of Default," "Consequences of Events of Default" and "Termination of the Initial Liquidity Facility," below.

If Eligible Bonds are not remarketed by the Remarketing Agent on the day such Series A Bonds are to be tendered, the Trustee will give the Bank notice as provided in the Initial Liquidity Facility. Subsequent to receipt of such notice and upon the determination by the Bank that the conditions precedent to purchase specified in the Initial Liquidity Facility are satisfied, the Bank will transmit to the Trustee in immediately available funds an amount equal to the aggregate purchase price of such Eligible Bonds for which remarketing proceeds are not available as requested by the Trustee.

The Initial Liquidity Facility is not available and does not support the payment of principal of, premium, if any, and interest on the Series A Bonds as the same becomes due and payable. The Initial Liquidity Facility provides the funds necessary to pay the Purchase Price of tendered Eligible Bonds for which remarketing proceeds are not available. Under certain circumstances described herein, purchases will not be made under the Initial Liquidity Facility and, therefore, funds may not be available to purchase tendered Series A Bonds.

The Initial Liquidity Facility contains certain covenants and agreements of the University which are in addition to those summarized in APPENDIX C – "CERTAIN DEFINED TERMS AND SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENTS, THE LEASES AND THE TAX AGREEMENTS," the breach of which could constitute an Event of Default under the Initial Liquidity Facility. The covenants and agreements contained in the Initial Liquidity Facility are for the benefit of the Bank only and may be waived at any time in the sole discretion of the Bank or amended at any time in accordance with the amendment provisions of the Initial Liquidity Facility and the Series A Trust Agreement. Bondholders are not entitled to and should not rely upon any of the covenants and agreements in the Initial Liquidity Facility.

Events of Default. The following are “Events of Default” under the Initial Liquidity Facility:

(i) The University fails to pay when due any amounts owed by the University to the Bank pursuant the Initial Liquidity Facility or the Letter Agreement between the University and the Bank (the “Letter Agreement”).

(ii) Any representation or warranty made by or on behalf of the University in the Initial Liquidity Facility or in the Series A Bonds, the Series A Indenture, the Remarketing Agreement, the Letter Agreement, the Series A Lease, the Note of the University in favor of the Bank (the "Note") or the Series A Guaranty or in any exhibit, instrument or agreement relating thereto, as the same may be amended from time to time (collectively, the “Related Documents”) or in any related certificate or statement, is incorrect or untrue in any material respect when made or deemed to have been made.

(iii) The University fails to perform certain specified covenants set forth in the Initial Liquidity Facility.

(iv) The University fails to perform or observe any term, covenant or agreement (other than those described under paragraphs (i) through (iii), above, and (v) through (xv), below) contained in the Initial Liquidity Facility or the Related Documents on its part to be performed or observed which failure continues for 30 days or more.

(v) Default by the University in the payment of the principal of or interest on any items that would be classified as a liability in accordance with generally accepted accounting principles (as further defined in the Initial Liquidity Facility) (the “Debt”) owed to the Bank or any other Debt in an aggregate amount in excess of \$1,000,000, as and when the same shall become due, or default under any mortgage, agreement or other instrument under or pursuant to which such Debt is incurred or issued, and continuance of such default beyond the period of grace, if any, allowed with respect thereto.

(vi) Any provision of the Initial Liquidity Facility, the Series A Bonds or any of the other Related Documents ceases to be valid and binding, or the University contests any such provision, or the University or any agent or trustee on behalf of any of them, denies that it has any further liability under any provision of the Initial Liquidity Facility, the Series A Bonds or any of the other Related Documents.

(vii) Entry of filing of any judgment, writ or warrant of attachment or of any similar process in an amount in excess of \$2,000,000 against the University or against any of its property and not covered by insurance or for which the insurer has denied or disputed coverage and failure of the University to vacate, bond, stay or contest in good faith such judgment, writ, warrant of attachment or other process for a period of 30 days or failure to pay or satisfy such judgment within 60 days or as otherwise required by such judgment, writ or warrant of attachment.

(viii) Any event of default under any of the Related Documents occurs.

(ix) A ruling, assessment, notice of deficiency or technical advice by the Internal Revenue Service shall be rendered to the effect that interest on the Series A Bonds is includable in the gross income of the holders or owners of such Series A Bonds and either (A) the University, after it has been notified by the Internal Revenue Service, shall not challenge such ruling, assessment, notice or advice in a court of law during the period within which such challenge is permitted or (B) the University shall challenge such ruling, assessment, notice or advice and a court of law makes a determination, not subject to appeal or review by another court of law, that such ruling, assessment, notice or advice is correctly rendered.

(x) Any of the following events occurs: (A) the issuance, under the laws of any state or under the laws of the United States of America, of an order of rehabilitation, liquidation or dissolution of the University; (B) the commencement by or against the University of a case or other proceeding seeking liquidation, reorganization or other relief with respect to the University or its debts under any bankruptcy, insolvency or other similar state or

federal law now or hereafter in effect, including, without limitation, the appointment of a trustee, receiver, liquidator, custodian or other similar official for the University or any substantial part of its property; (C) the making of an assignment for the benefit of creditors by the University; (D) the failure of the University to generally pay its debts as they become due; (E) the declaration of a moratorium with respect to the payment of the debts of the University; or (F) the initiation of any actions to authorize any of the foregoing by or on behalf of the University.

(xi) The Initial Liquidity Facility, the Note or the Series A Lease is declared by a final and nonappealable order of a court of competent jurisdiction to be not binding on the University or the Series A Trust Agreement, the Series A Lease or the Series A Bonds is declared by a final nonappealable order of a court of competent jurisdiction to be not binding on the Commission.

(xii) Any failure, wholly or partially, to make timely any payment required to be made on (A) the Series A Bonds (B) the Series B Bonds, (C) the Note, (D) any bonds or other obligations issued on a parity with the Bonds, and (E) any unsubordinated full recourse Debt of the University in an amount equal to or in excess of \$5,000,000 (collectively, “Material Debt”).

(xiii) The University, in writing to the Trustee, the Bank or otherwise, (A) claims that the Series A Trust Agreement, the Series A Bonds, the Note, the Series A Lease or the Initial Liquidity Facility is not valid or binding on the University, (B) repudiates its obligations under the Series A Lease, the Note, the Series A Bonds or the Initial Liquidity Facility and/or (C) initiates any legal proceedings to seek an adjudication that the Series A Trust Agreement, the Series A Lease, the Note, the Series A Bonds or the Initial Liquidity Facility is not valid or binding on the University.

(xiv) Any governmental entity with jurisdiction to rule on the validity of the Initial Liquidity Facility, the Series A Bonds, the Series A Lease, the Note or the Series A Trust Agreement announces, finds or rules that the Initial Liquidity Facility, the Note or the Series A Lease is not valid or not binding on the University or the Series A Trust Agreement, the Series A Bonds or the Series A Lease are not valid or not binding on the Commission.

(xv) The long-term rating assigned to the Series A Bonds or any parity obligations of the University by Moody’s or S&P is lowered below “Baa3” or “BBB-,” respectively.

(xvi) The long-term ratings assigned to the Series A Bonds or any parity obligation of the University by Moody’s and S&P is withdrawn.

Consequences of Events of Default. Upon the occurrence of an Event of Default under the Initial Liquidity Facility, the Bank may take one or more of the following actions:

(i) **In the case of any Event of Default described in paragraphs (x) through (xvi) under “Events of Default” above, the Available Commitment and the obligation of the Bank to purchase Eligible Bonds will immediately terminate without notice or demand, and thereafter the Bank will be under no obligation to purchase Eligible Bonds.** Upon such Event of Default, the Bank will promptly give written notice of the same to the Trustee, the University and the Remarketing Agent; provided that the Bank will incur no liability of any kind by reason of its failure to give such notice, and such failure will in no way affect the termination of the Available Commitment and of the obligation of the Bank to purchase Eligible Bonds pursuant to the Initial Liquidity Facility. The Trustee will immediately notify all Bondholders of the termination of the Available Commitment and the obligation of the Bank to purchase the Eligible Bonds.

(ii) In the case of any Event of Default described in paragraphs (i) through (ix) under “Events of Default” above, the Bank may give written notice of such Event of Default to the University, the Trustee and Remarketing Agent (“Notice of Termination”) stating that the Initial Liquidity Facility will terminate 15 days after such notice is received by the Trustee and directing that the Series A Bonds be called for mandatory tender pursuant to the Series A Trust Agreement. See “THE BONDS – Description of the Series A Bonds – Mandatory

Tender.” The obligation of the Bank to purchase Eligible Bonds will terminate 15 days after such notice is received by the Trustee and, on such date, the Available Commitment will terminate and the Bank will be under no obligation under the Initial Liquidity Facility to purchase Eligible Bonds.

(iii) Upon the occurrence of any Event of Default described under “Events of Default” above, all amounts owed to the Bank and under any Bank Bonds will bear interest at the Default Rate, as defined in the Initial Liquidity Facility, and the Bank will have all remedies provided at law or equity, including, without limitation, to accelerate all amounts due under the Initial Liquidity Facility and under any Bank Bonds and specific performance. The Bank will promptly provide written notice to the Trustee and the University of any acceleration of the amounts due under the Initial Liquidity Facility.

Termination of the Initial Liquidity Facility. The obligation of the Bank to purchase Eligible Bonds, on the terms and conditions set forth in the Initial Liquidity Facility, will extend from the date of delivery of the Initial Liquidity Facility to the earliest of the close of business on the following dates (the “Purchase Period”): (i) June 3, 2003 as such date may be extended from time to time (the “Expiration Date”), (ii) the date on which no Eligible Bonds are outstanding under the Series A Trust Agreement, (iii) the date on which the Available Commitment and the Bank’s obligation to purchase Eligible Bonds has been terminated in its entirety pursuant to the Initial Liquidity Facility or due to the occurrence of an Event of Default as described above, and (iv) the date that all of the Series A Bonds are converted to an interest rate other than a Daily Rate or Weekly Rate.

Alternate Liquidity Facilities.

Upon the signing and delivery of the Series A Trust Agreement, the University will cause the Initial Liquidity Facility to be issued. Under the Series A Lease, the University agrees that so long as any Series A Bonds are outstanding and bear interest at other than the Dutch Auction Rate or Term Rate it will cause a Liquidity Facility to be in effect at all times, provided that the University may, at its option, discontinue maintenance of that Liquidity Facility with respect to the Series A Bonds by delivering written notice to the Trustee of its intention to discontinue the Liquidity Facility, together with an opinion of Bond Counsel that the discontinuance of the Liquidity Facility will not adversely affect the exclusion of interest on any Series A Bonds issued under the Series A Trust Agreement from the gross income of the Holders thereof.

The University may, subject to the provisions of the Series A Trust Agreement, at any time arrange for the delivery to the Trustee of an Alternate Liquidity Facility in substitution for the existing Liquidity Facility. The Alternate Liquidity Facility may be a standby bond purchase agreement, letter of credit, line of credit, revolving credit agreement, bond insurance policy, surety bond or similar liquidity, credit, credit enhancement or support facility or combination thereof.

The Liquidity Facility then in effect (the Initial Liquidity Facility or an Alternate Liquidity Facility) for the Series A Bonds may be replaced by an Alternate Liquidity Facility only if such Alternate Liquidity Facility (a) is in all respects material to the Bondholders substantially the same as the Initial Liquidity Facility, (b) provides that it will expire no earlier than five days following an Interest Payment Date, (c) is accompanied by written evidence from each Rating Service then rating the Bonds to the effect that the Rating Service has reviewed the Alternate Liquidity Facility and stating whether a reduction or withdrawal of the then current rating on the Series A Bonds will occur, (d) is accompanied by an opinion of counsel that the Alternate Liquidity Facility is a legal, valid and binding obligation of its issuer and is enforceable against such issuer in accordance with its terms, and (e) is accompanied by an opinion of Bond Counsel to the effect that the delivery of such Alternate Liquidity Facility is authorized or permitted by the terms of the Series A Trust Agreement and will not adversely affect any exemption from federal income taxation to which interest on the Series A Bonds would otherwise be entitled. If the rating borne by the related Series A Bonds will be reduced after the substitution of the Alternate Liquidity Facility, the Series A Bonds will be subject to mandatory tender prior to the effective date of such substitution. See “THE BONDS – Description of the Series A Bonds – Mandatory Tender.”

The Trustee will notify the owners of the Series A Bonds of the proposed delivery of any Alternate Liquidity Facility which will secure the Series A Bonds and will identify the provider of the Alternate Liquidity Facility not less than 20 days prior to the delivery of the Alternate Liquidity Facility, whether or not a mandatory tender results from such delivery.

Remarketing.

Unless otherwise instructed by the University, the Remarketing Agent will offer for sale and use its best efforts to find purchasers for all Series A Bonds or portions thereof for which notice of optional tender has been received or which are subject to mandatory tender. The terms of any sale by the Remarketing Agent will provide for the payment of the Purchase Price for tendered Series A Bonds by the Remarketing Agent to the Paying Agent on the purchase date in immediately available funds at or before 11:00 a.m. (New York City time) on the purchase date. The Remarketing Agent will not sell any Series A Bond as to which notice by the Trustee has been given of either (i) the conversion from one type of Rate Period to another type of Rate Period, (ii) any other mandatory tender for purchase, or (iii) redemption thereof, unless the Remarketing Agent has advised the person to whom the sale is made of such proposed conversion, tender or redemption. Any purchaser so advised must deliver a notice to the Paying Agent stating that such purchaser will purchase such Series A Bonds on the related mandatory tender date.

The Remarketing Agent will not remarket any Series A Bond (i) if an Event of Default (as defined in the Series A Trust Agreement and summarized here in Appendix C — “CERTAIN DEFINED TERMS AND SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENTS, THE LEASES AND THE TAX AGREEMENTS — The Trust Agreements — Events of Default”) has occurred and is continuing with respect to the Series A Bonds, (ii) if the Series A Bonds are required to be tendered for purchase on the last Interest Payment Date prior to the Expiration Date, unless and until the Liquidity Facility has been extended or renewed or an effective Alternate Liquidity Facility has been delivered to the Trustee or the University discontinues use of a Liquidity Facility or (iii) if the Series A Bonds are required to be tendered for purchase on the fifth Business Day preceding the date on which the Liquidity Facility will terminate following receipt by the Trustee of written notice from the Liquidity Provider to the effect that an event of default has occurred under the Liquidity Facility and the Liquidity Provider is terminating the Liquidity Facility, unless and until an effective Alternate Liquidity Facility has been delivered to the Trustee or the University discontinues use of a Liquidity Facility. Unless a Liquidity Facility is no longer in effect, in no event shall Series A Bonds be remarketed unless the Liquidity Provider has reinstated, or will simultaneously reinstate, the amount available under the Liquidity Facility to an amount sufficient to pay the Purchase Price for such Series A Bonds.

Series A Bonds which have been duly tendered for purchase and which have not been remarketed will be purchased on the purchase date with funds provided under the Liquidity Facility; provided that (i) during any period the Series A Bonds are not supported by a Liquidity Facility (including any period during which a Liquidity Provider is not required, pursuant to the terms of its Liquidity Facility, to provide for the Purchase Price of tendered Series A Bonds), or (ii) if the Liquidity Provider fails in its obligation to provide for the Purchase Price of tendered Series A Bonds, then such Series A Bonds will be purchased by the University on the purchase date. No assurance can be given that the University would have sufficient funds available on any optional or mandatory tender date to purchase tendered Series A Bonds.

Redemption.

Optional Redemption During Daily, Weekly, Commercial Paper or Dutch Auction Rate Period. While the Series A Bonds bear interest at a Daily Rate, a Weekly Rate, Commercial Paper Rate or a Dutch Auction Rate, the Series A Bonds are subject to optional redemption in whole or in part, by the Commission at the direction of the University, on any Interest Payment Date with respect to Series A Bonds bearing interest at a Daily Rate, a

Weekly Rate, a Commercial Paper Rate or a Dutch Auction Rate, at an optional redemption price equal to 100% of the principal amount thereof, together with interest accrued thereon, if any, to the redemption date.

Optional Redemption During Term Rate Period. Series A Bonds that bear interest at a Term Rate are subject to optional redemption in whole or in part, by the Commission at the direction of the University, on any date that occurs on or after the first day of the optional redemption period, and at the redemption prices, expressed as a percentage of the principal amount being redeemed, plus accrued and unpaid interest, if any, to the redemption date, as follows:

<u>Length of Term Rate Period</u>	<u>First Day of Optional Redemption Period</u>	<u>Redemption Price</u>
More than 15 years	Tenth anniversary of commencement of Term Rate Period	101%, declining to 100% on the succeeding anniversary of the first day of the redemption period and thereafter at 100%
More than 10, but not more than 15 years	Eighth anniversary of commencement of Term Rate Period	101%, declining to 100% on the succeeding anniversary of the first day of the redemption period and thereafter at 100%
More than 5, but not more than 10 years	Fifth anniversary of commencement of Term Rate Period	100-1/2% declining to 100% on the succeeding anniversary of the first day of the redemption period and thereafter at 100%
5 years or less	Non-callable	Non-callable

The optional redemption dates and redemption prices set forth above may be changed with the approval of the University, provided that any such proposed change must be accompanied by an opinion of Bond Counsel to the effect that such change will not adversely affect the exclusion from gross income of interest on the Series A Bonds for federal income tax purposes. Any such revision of the redemption periods and redemption prices will not be considered an amendment of or a supplement to the Series A Trust Agreement and will not require the consent of any Series A Bondholder or any other Person or entity.

Extraordinary Optional Redemption during Term Rate Period. The Series A Bonds during a Term Rate Period are subject to extraordinary redemption prior to maturity, by and at the option of the Commission, at the direction of the University, (i) in the event of condemnation of the Series A Project or any part thereof to the extent provided in Section 6.3 of the Series A Lease or (ii) upon the occurrence of any of the following events and the exercise by the University of its option to terminate the Series A Lease:

- (a) All or a substantial part of the Series A Project shall have been damaged or destroyed to such extent that (I) the Series A Project cannot be reasonably restored within a period of six months to the condition it was in immediately preceding such damage or destruction or (II) the University is thereby prevented from carrying on its normal operation of the Series A Project for a period of six months;
- (b) Title to, or the temporary use of, all or a substantial part of the Series A Project shall have been taken under the exercise of the power of eminent domain by any governmental authority or Person acting under governmental authority to such extent that (I) the Series A Project cannot be reasonably restored within a period of six months to a condition comparable to its condition prior to such taking or (II) the University is thereby prevented from carrying on its normal operation of the Series A Project for a period of six months;

- (c) As a result of any changes in the Constitution of the State or the Constitution of the United States of America, any legislative or administrative action (whether State or federal) or any final decree, judgment or order of any court or administrative body (whether state or federal) entered after a contest in good faith by the Commission or the University in the proceedings in which the decree, judgment or order is entered, (I) the Series A Lease shall have become void, unenforceable or impossible of performance in accordance with the intent and purpose of the parties as expressed in the Series A Lease or (II) if unreasonable burdens or excessive liabilities shall have been imposed upon the Commission or the University with respect to the Series A Project or its operation, including without limitation, the imposition of federal, State or other ad valorem, property, income or other taxes that were not imposed at the time the Series A Bonds were originally issued, other than ad valorem taxes then levied upon privately-owned property used for the same general purpose as the Series A Project; or
- (d) The University shall lose its status as a Tax-Exempt Organization but only if such loss results in the interest on the Bonds no longer being excluded from gross income for federal income tax purposes.

If called for redemption due to the reasons stated above, the Series A Bonds shall be subject to redemption in whole at any time, or (in the event of redemption pursuant to Section 6.3 of the Series A Lease due to condemnation of the Series A Project) in part on any Interest Payment Date, at a redemption price of 100% of the principal amount thereof, plus accrued interest to the redemption date.

Redemption of Bank Bonds. The Bank Bonds are subject to optional redemption in whole or in part in Authorized Denominations at any time, as more fully provided in the Liquidity Facility. In addition, the Bank Bonds are subject to mandatory redemption, as more fully provided in the Liquidity Facility.

Mandatory Sinking Fund Redemption of the Series A Bonds. The Series A Bonds are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount redeemed plus accrued interest to the redemption date on October 1 in each of the years listed below and in the aggregate principal amount shown opposite such year:

<u>Redemption Date</u>	<u>Amount</u>
2023	\$2,620,000
2024	2,605,000
2025	6,615,000
2026	6,885,000
2027	7,165,000
2028	7,450,000
2029	7,755,000
2030	11,655,000

Unless otherwise redeemed prior to maturity, the remaining principal amount of the Series A Bonds (\$12,125,000) will be payable on October 1, 2031.

Notice of Redemption. The Trustee will mail by first class mail, postage prepaid, to the registered owners of all Series A Bonds to be redeemed, at the address shown on the registration books, notice of redemption at least 30 days prior to the redemption date. Each notice of redemption of the Series A Bonds will identify the Series A Bonds or portions thereof to be redeemed and will state, among other things, the redemption price, the redemption date, the place or places where the redemption price is payable and that on the redemption date such Series A Bonds called for redemption (provided funds for the redemption of such Series A Bonds are on deposit at the place of payment) will cease to bear interest. The failure of a Holder to receive notice by mailing or any defect in that notice regarding any Series A Bond will not affect the validity of the proceedings for the redemption of the Series A Bonds.

Description of the Series B Bonds

The Series B Bonds will be issued in an aggregate principal amount of \$35,125,000, maturing on the dates and bearing interest at the rates per annum set forth on the inside cover page of this Offering Circular. The Series B Bonds will be dated as of May 15, 2002 and will be issued in denominations of \$5,000 or any integral multiple thereof.

Interest on the Series B Bonds is payable on each April 1 and October 1, beginning October 1, 2002 and any other date on which any Bond Service Charges shall be due and payable, whether at maturity, upon acceleration, redemption or otherwise (each an "Interest Payment Date").

Redemption.

Optional Redemption. At the direction of the University, the Series B Bonds will be subject to redemption prior to maturity on or after October 1, 2012, from money delivered by the University to the Trustee, in whole on any date or in part on any Interest Payment Date (in \$5,000 amounts), at a redemption price of 100% of the principal amount redeemed, plus accrued interest on the principal amount redeemed to the redemption date.

Extraordinary Optional Redemption. The Series B Bonds are subject to extraordinary redemption prior to maturity, by and at the option of the Commission, at the direction of the University, (i) in the event of condemnation of the Series B Project or any part thereof to the extent provided in Section 6.3 of the Series B Lease or (ii) upon the occurrence of any of the following events and the exercise by the University of its option to terminate the Series B Lease:

- (a) All or a substantial part of the Series B Project shall have been damaged or destroyed to such extent that (I) the Series B Project cannot be reasonably restored within a period of six months to the condition it was in immediately preceding such damage or destruction or (II) the University is thereby prevented from carrying on its normal operation of the Series B Project for a period of six months;
- (b) Title to, or the temporary use of, all or a substantial part of the Series B Project shall have been taken under the exercise of the power of eminent domain by any governmental authority or Person acting under governmental authority to such extent that (I) the Series B Project cannot be reasonably restored within a period of six months to a condition comparable to its condition prior to such taking or (II) the University is thereby prevented from carrying on its normal operation of the Series B Project for a period of six months;
- (c) As a result of any changes in the Constitution of the State or the Constitution of the United States of America, any legislative or administrative action (whether State or federal) or any final decree, judgment or order of any court or administrative body (whether state or federal) entered after a contest in good faith by the Commission or the University in the proceedings in which the decree, judgment or order is entered, (I) the Series B Lease shall have become void, unenforceable or impossible of performance in accordance with the intent and purpose of the parties as expressed in the Series B Lease or (II) if unreasonable burdens or excessive liabilities shall have been imposed upon the Commission or the University with respect to the Series B Project or its operation, including without limitation, the imposition of federal, State or other ad valorem, property, income or other taxes that were not imposed at the time the Series B Bonds were originally issued, other than ad valorem taxes then levied upon privately-owned property used for the same general purpose as the Series B Project; or
- (d) The University shall lose its status as a Tax-Exempt Organization but only if such loss results in the interest on the Series B Bonds no longer being excluded from gross income for federal income tax purposes.

If called for redemption due to the reasons stated above, the Series B Bonds shall be subject to redemption in whole at any time, or (in the event of redemption pursuant to Section 6.3 of the Series B Lease due to condemnation of the Series B Project) in part on any Interest Payment Date in the order of the maturities of the Series B Bonds to be redeemed as designated by the University, at a redemption price of 100% of the principal amount thereof, plus accrued interest to the redemption date.

Notice of Redemption. The Trustee will mail by first class mail, postage prepaid, to the registered owners of all Series B Bonds to be redeemed, at the address shown on the registration books, notice of redemption at least 30 days prior to the redemption date. Each notice of redemption of the Series B Bonds will identify the Series B Bonds or portions thereof to be redeemed and will state, among other things, the redemption price, the redemption date, the place or places where the redemption price is payable and that on the redemption date such Series B Bonds called for redemption (provided funds for the redemption of such Series B Bonds are on deposit at the place of payment) will cease to bear interest. The failure of a Holder to receive notice by mailing or any defect in that notice regarding any Series B Bond will not affect the validity of the proceedings for the redemption of the Series B Bonds.

Book-Entry System

Payment of principal of and interest on the Bonds will be made directly to DTC or its nominee, Cede & Co., by the Trustee. In the event the Bonds are not in a book-entry-only system, payment of principal of and interest on the Bonds will be made as described in the Series A Trust Agreement and the Series B Trust Agreement and summarized in Appendix C — “CERTAIN DEFINED TERMS AND SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENTS, THE LEASES AND THE TAX AGREEMENTS.”

The ownership of one fully registered Bond for each maturity in the aggregate principal amount of such maturity will be registered in the name of Cede & Co., as nominee for DTC. In the event that (1) DTC resigns as securities depository for the Bonds, after giving reasonable notice thereof to the Commission or the Trustee, or (2) with the consent of the Commission, the Registrar and the University, DTC is determined to be no longer able to discharge its duties or no longer qualified to perform book-entry services, or (3) the University in its sole discretion (but with the consent of the Commission) determines that the continuation of the book-entry system of evidence and transfer of ownership of the Bonds is not in the best interest of the Beneficial Owners (hereinafter defined) of the Bonds, the University may discontinue the book-entry system with DTC. If the Commission and the University fail to identify another qualified securities depository to replace DTC, the Commission will execute and the Trustee will authenticate and deliver replacement Bonds in the form of fully registered certificates. If no qualified securities depository is the registered owner of the Bonds, the Paying Agent will pay interest to the Beneficial Owners by check mailed to the person registered at the close of business on the Record Date as owner of the Bonds. Principal of and premium, if any, on the Bonds are payable upon presentation at the principal corporate trust office of the Paying Agent. Upon the issuance of replacement Bonds, the Trustee and the Registrar may require the payment by the Bondholder of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation to the issuance of such replacement Bond.

The description which follows of the procedures and recordkeeping with respect to beneficial ownership interests in the Bonds, payments of principal, premium, if any, and interest on the Bonds to DTC, its nominee, Participants, defined below, or Beneficial Owners, confirmation and transfer of beneficial ownership interests in the Bonds and other bond-related transactions by and between DTC, Participants and Beneficial Owners is based solely on information furnished by DTC.

DTC will act as securities depository for the Bonds. The Bonds will be issued as full-registered securities registered in the name of Cede & Co., DTC’s nominee. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a

“clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants (“Participants” or “Direct Participants”) deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants’ accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co. The deposit of Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all of the Bonds within an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the Commission as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal of and premium, if any, and interest payments on the Bonds will be made to DTC. DTC’s practice is to credit Direct Participants’ accounts on payable dates in accordance with their respective holdings shown on DTC’s records unless DTC has reason to believe that it will not receive payment on the payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such Participant and not of DTC, the Trustee or the Commission, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of, premium, if any, and interest to DTC is the responsibility of the Commission or the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Commission or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates will be required to be prepared, executed and delivered.

The Commission, at the request of the University, may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, either a successor securities depository will be selected by the Commission or Bond certificates will be prepared, executed and delivered.

The foregoing information in this section concerning DTC and DTC's book-entry system has been obtained from DTC and neither the Commission, the University nor the Underwriters takes any responsibility for the accuracy thereof.

Neither the Commission, the University, the Registrar, the Paying Agent nor the Trustee will have responsibility or obligations to the Participants or the Beneficial Owners with respect to (1) the accuracy of any records maintained by DTC or any Participant, (2) the payment by DTC to any Participant, or by any Participant or Indirect Participant of any amount due to any Beneficial Owner, in respect of the principal of, premium, if any, or interest on the Bonds, (3) the delivery or timeliness of delivery by DTC to any Participant, or by any Participant or Indirect Participant of any notice to any Beneficial Owner, that is required or permitted under the terms of the Series A Trust Agreement and/or the Series B Trust Agreement, (4) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of the Bonds, or (5) any consent given or other action taken by DTC as the registered bondholder, including the effectiveness of any action taken pursuant to an Omnibus Proxy.

So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references in this Offering Circular to the Owners of the Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners and the Trustee will treat Cede & Co. as the only Bondholder of Bonds for all purposes under the Trust Agreements.

The Commission may enter into amendments to the agreement with DTC, or successor agreements with a successor securities depository, relating to the book-entry system to be maintained with respect to the Bonds without the consent of Beneficial Owners or Bondholders.

While in book-entry form, transfers of beneficial ownership of Bonds will be effected on the records of DTC and its participants pursuant to rules and procedures established by DTC and DTC Participants. If the book-entry system is discontinued, Bonds may be transferred or exchanged by delivery to the Registrar of a satisfactory written instrument of transfer executed by the Owner of the Bonds or his attorney or legal representative duly authorized in writing. The Trustee and the Registrar are not required to transfer or exchange any Bond (i) during a period beginning at the opening of business 15 days prior to the selection of the Bonds to be redeemed or (ii) for which notice of redemption has been given in accordance with the Series A Trust Agreement and/or the Series B Trust Agreement. For every transfer and exchange of the Bonds, the Registrar may charge the Owner a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto and the charges of the Registrar.

SECURITY AND SOURCES OF PAYMENT

The Bond Service Charges due on the Series A Bonds are payable from the Series A Revenues, including primarily the Series A Rental Payments to be derived by the Commission under the Series A Lease, amounts held in, or for the credit of, the Series A Improvement Fund, the Series A Bond Fund, and any other funds or accounts permitted by, established under or identified in the Series A Trust Agreement or the Bond Legislation (collectively, the "Series A Special Funds"), except the Series A Rebate Fund and the Series A Issuance Expenses Fund, all amounts payable to the Trustee with respect to Bond Service Charges on the Series A Bonds by the Liquidity Provider under the Liquidity Facility, all other rentals, revenue, income, charges and money received or

to be received by the Commission, or the Trustee for the account of the Commission, from the lease, sale or other disposition of the Series A Project, and all income and profit from the investment of the Series A Rental Payments and the Series A Special Funds and such other money (the "Series A Revenues"). The Series A Bonds are further secured by a security interest in the Series A Revenues created in the Series A Trust Agreement, by the Series A Trust Agreement and (except for the Unassigned Rights) the Series A Lease and by the Series A Guaranty.

The Bond Service Charges due on the Series B Bonds are payable from the Series B Revenues, including primarily the Series B Rental Payments to be derived by the Commission under the Series B Lease, amounts held in, or for the credit of, the Series B Improvement Fund, the Series B Bond Fund, and any other funds or accounts permitted by, established under or identified in the Series B Trust Agreement or the Bond Legislation (collectively, the "Series B Special Funds"), except the Series B Rebate Fund and the Series B Issuance Expenses Fund, all other rentals, revenue, income, charges and money received or to be received by the Commission, or the Trustee for the account of the Commission, from the lease, sale or other disposition of the Series B Project, and all income and profit from the investment of the Series B Rental Payments and the Series B Special Funds and such other money (the "Series B Revenues"). The Series B Bonds are further secured by a security interest in the Series B Revenues created in the Series B Trust Agreement, by the Series B Trust Agreement and (except for the Unassigned Rights) the Series B Lease and by the Series B Guaranty.

The facilities comprising the Projects are being specifically constructed, equipped and improved for the benefit of the University for use in its educational programs, and by reason of their location may be subject to practical restrictions that may limit the use thereof by others. Therefore, in the event of a default, the Trustee's ability to lease or sell the Projects or portions thereof to third parties may be limited. The rentals or sale price, if any, might thus be adversely affected. There is no assurance that, should an event of default occur, the proceeds from the sale, lease or other disposition of the Projects would be sufficient to allow payment in full of the Bonds.

Under existing law, the remedies specified by the Trust Agreements, the Leases and the Guaranties may not be readily available or may be limited. A court may decide not to order the specific performance of the covenants contained in those documents. The various legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by State and federal laws, rulings and decisions affecting remedies and by bankruptcy, reorganization or other laws affecting the enforcement of creditors' rights or the application of general principles of equity.

As described above, the Bonds are secured by a pledge of and security interests in the equipment and other tangible personal property included in the Projects. The security interests in such property are intended to be prior to any security interest in, lien on or pledge or assignment of such property except for Permitted Encumbrances, which are defined to mean, as of any particular time and as applicable to the respective series of Bonds:

- (a) the Base Leases, the Leases and any sublease of the Projects authorized by the Base Leases and the Leases;
- (b) liens for ad valorem taxes, governmental charges and special assessments not then delinquent, or if then delinquent, being contested in accordance with the respective Lease;
- (c) utility, access and other easements and rights-of-way, mineral rights, restrictions and exceptions that an architect certifies will not interfere with or impair the operations being or to be conducted on the respective Project (or if no operations are being conducted thereon, the operations for which the respective Project was designed or last modified);
- (d) security interests, mortgages, easements, restrictions and other encumbrances existing as of the date of delivery of the respective Base Lease;
- (e) purchase money mortgages, purchase money security interests and other similar interests to the extent permitted by the respective Lease;

(f) minor defects, irregularities, encumbrances, easements, rights-of-way and clouds on title of a nature that exist normally with respect to properties of a character similar to that of the respective Project and that, in the opinion of an architect or independent counsel, in the aggregate do not affect materially and adversely the value or marketable title of the respective Project or impair materially the property affected thereby for the purpose for which it was acquired or is held;

(g) liens resulting from governmental regulations on the use of the respective Project; and

(h) any lien, mortgage, security interest or other encumbrance permitted by the respective Lease and Trust Agreement.

The enforceability of the Leases and the Trust Agreements may be subject to subordination or prior claims in certain instances in addition to that arising from bankruptcy proceedings. For a discussion of examples of possible limitations on enforceability and of possible subordination or prior claims, see “ENFORCEABILITY OF REMEDIES” herein.

The Bonds do not represent or constitute a debt or pledge of the faith and credit of the Commission or the State, will not be secured by an obligation or pledge of any money raised by taxation and do not grant to the Holders any rights to have the General Assembly of the State levy any taxes or appropriate any funds for the payment of the debt service on the Bonds. The Commission has no taxing power.

THE GUARANTIES

Under the Series A Guaranty, the University unconditionally guarantees to the Trustee for the benefit of the Holders of the Series A Bonds (a) the full and prompt payment of the principal of and redemption premium, if any, on any Series A Bond when and as the same shall become due, whether at the stated maturity thereof, by acceleration, by call for redemption or otherwise, (b) the full and prompt payment of any interest on any Series A Bond when and as the same shall become due and (c) the full and prompt payment of all expenses and charges paid or incurred by the Trustee as Trustee under the Series A Trust Agreement and in enforcing the Series A Guaranty. The Trustee will proceed against the University under the Series A Guaranty if (i) requested to do so by the Holders of at least 25% in aggregate principal amount of the Series A Bonds outstanding and (ii) the Trustee is provided with adequate indemnity.

Under the Series B Guaranty, the University unconditionally guarantees to the Trustee for the benefit of the Holders of the Series B Bonds (a) the full and prompt payment of the principal of and redemption premium, if any, on any Series B Bond when and as the same shall become due, whether at the stated maturity thereof, by acceleration, by call for redemption or otherwise, (b) the full and prompt payment of any interest on any Series B Bond when and as the same shall become due and (c) the full and prompt payment of all expenses and charges paid or incurred by the Trustee as Trustee under the Series B Trust Agreement and in enforcing the Series B Guaranty. The Trustee will proceed against the University under the Series B Guaranty, if (i) requested to do so by the Holders of at least 25% in aggregate principal amount of the Series B Bonds outstanding and (ii) the Trustee is provided with adequate indemnity.

No setoff, counterclaim, reduction or diminution of an obligation, or any defense of any kind which the University has or may have against the State, the Commission, the Trustee or any Holder will be available to the University against the Trustee under the either the Series A Guaranty or the Series B Guaranty. The University has entered into a similar guaranty agreement in connection with each of its obligations to the Commission described herein in APPENDIX A — “CASE WESTERN RESERVE UNIVERSITY — Certain Information About the University — Outstanding Indebtedness.”

ENFORCEABILITY OF REMEDIES

Enforcement of the security interest in the Series A Revenues and the Series B Revenues and the remedies specified by the Trust Agreements, the Leases, the Series A Assignment, the Series B Assignment (collectively, the “Assignments”) and the Guaranties may be limited by the application of federal bankruptcy laws or other laws relating to creditors’ rights. A court may decide not to order the specific performance of the covenants contained in these documents.

Under the United States Bankruptcy Code, allowable claims in a bankruptcy proceeding for future rents under a lease of real property are limited to rentals during the greater of (i) one year or (ii) 15% (but not exceeding three years) of the lease term remaining after the date of the filing of the bankruptcy proceedings or the removal of the lessee from possession. There is no case that decides whether the Bankruptcy Code’s limitation on the payment of rentals may apply to a bond trustee’s claim against a bankrupt guarantor under a guaranty of payment on tax-exempt bonds. However, in light of (i) the weight of the case law regarding claims in bankruptcy by bond trustees under lease agreements and (ii) the economic realities of this tax-exempt bond financing, a claim by the Trustee under either the Series A Guaranty or the Series B Guaranty in a bankruptcy proceeding should not be subject to limitations imposed on amounts allowed for claims arising under either the Series A Lease or the Series B Lease. The degree to which such a claim is satisfied will be dependent upon amounts that are available for and ordered to be distributed in the bankruptcy proceeding.

The enforceability of the liens of the Leases and the Trust Agreements may be subject to subordination or prior claims in certain instances other than bankruptcy proceedings. Examples of possible limitations on enforceability and of possible subordination or prior claims include (i) statutory liens, (ii) rights arising in favor of the United States of America or any agency thereof, (iii) present or future prohibitions against assignment in any federal statutes or regulations, (iv) constructive trusts, equitable liens or other rights imposed or conferred by any state or federal court in the exercise of its equitable jurisdiction, (v) claims that might arise if appropriate financing or continuation statements are not filed in accordance with the Ohio Uniform Commercial Code from time to time in effect or as a result of that code’s not providing for perfection of a security interest therein, (vi) inability of the Trustee to perfect a security interest in those elements of the Series A Revenues or the Series B Revenues that can be perfected only by taking possession of such collateral, (vii) federal bankruptcy laws affecting, among other matters, payments made within 90 days prior to any institution of bankruptcy proceedings by the University or the Commission, (viii) state fraudulent conveyance laws, and (ix) the rights of holders of prior perfected security interests or of perfected purchase money security interests in equipment or other goods owned by the University and in the proceeds of the sale of such property and the rights of other parties secured by liens permitted under the Bond Documents.

The various legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by state and federal laws, rulings and decisions affecting remedies and by bankruptcy, reorganization or other laws affecting the enforcement of creditors’ rights.

ABSENCE OF MATERIAL LITIGATION

To the knowledge of the appropriate officials of the Commission and the University, there is no litigation or administrative action or proceeding pending or threatened, restraining or enjoining, or seeking to restrain or enjoin, the issuance and delivery of the Bonds, the Trust Agreements, the Leases, the Assignments or the Guaranties or contesting or questioning the validity of the Bonds or the proceedings and authority under which the Bonds have been authorized and are to be issued or delivered, or the pledge or application of any money or security provided for the payment of the Bonds under the Trust Agreements, the Leases or the Guaranties. A no-litigation certificate to such effect with respect to the Bonds will be delivered to the Underwriters at the time of the original delivery of the Bonds.

The University is a party to various legal proceedings seeking damages or injunctive relief which are generally incidental to its operations, and unrelated to the Bonds, the security for the Bonds, or the Projects. The University administration does not believe that the outcome of any pending litigation will materially adversely affect the consolidated financial position, operations or cash flows of the University.

ELIGIBILITY UNDER OHIO LAW FOR INVESTMENT

Under the authority of Section 3377.11 of the Ohio Revised Code and to the extent investments of the following are subject to Ohio law, the Bonds are lawful investments of banks, societies for savings, savings and loan associations, deposit guarantee associations, trust companies, trustees, fiduciaries, insurance companies, including domestic for life and domestic not for life, trustees or other officers having charge of sinking and bond retirement or other special funds of political subdivisions and taxing districts of the State, the commissioners of the sinking fund of the State, the industrial commission, the State teachers retirement system, public employees retirement system, public school employees retirement system and police and firemen's disability pension fund, and are also acceptable as security for the deposit of public money.

TAX MATTERS

In the opinion of Squire, Sanders & Dempsey L.L.P., Bond Counsel, under existing law (i) interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and is not an item of tax preference under Section 57 of the Code for purposes of the alternative minimum tax imposed on individuals and corporations, and (ii) interest on, and any profit made on the sale, exchange or other disposition of, the Bonds are exempt from the Ohio personal income tax, the net income base of the Ohio corporate franchise tax, and municipal and school district income taxes in Ohio. Bond Counsel will express no opinion regarding other tax consequences regarding the Bonds.

The opinion on federal tax matters will be based on and will assume the accuracy of certain representations and certifications, and compliance with certain covenants, of the Commission and the University to be contained in the transcript of proceedings and that are intended to evidence and assure the foregoing, including that the Bonds are and will remain obligations the interest on which is excluded from gross income for federal income tax purposes. Bond Counsel will also rely on the opinion of Joel Makee, Esq., University Counsel, as to all matters concerning the status of the University as an organization described in Section 501(c)(3) of the Code and exempt from federal income tax under Section 501(a) of the Code. Bond Counsel will not independently verify the accuracy of those certifications and representations or that opinion.

The Code prescribes a number of qualifications and conditions for the interest on state and local government obligations to be and to remain excluded from gross income for federal income tax purposes, some of which require future or continued compliance after issuance of the obligations in order for the interest to be and to continue to be so excluded from the date of issuance. Noncompliance with these requirements by the Commission or the University may cause the interest on the Bonds to be included in gross income for federal income tax purposes and thus to be subject to federal income tax retroactively to their date of issuance. The University and, subject to certain limitations, the Commission have each covenanted to take the actions required of it for the interest on the Bonds to be and to remain excluded from gross income for federal income tax purposes, and not to take any actions that would adversely affect that exclusion.

Under Code provisions applicable only to certain corporations (as defined for federal income tax purposes), a portion of the excess of adjusted current earnings (which includes interest on all tax-exempt obligations, including the Bonds) over other alternative minimum taxable income is included in alternative minimum taxable income that may be subject to a corporate alternative minimum tax. In addition, interest on the Bonds may be subject to a branch profits tax imposed on certain foreign corporations doing business in the United States and to a tax imposed on excess net passive income of certain S corporations.

Under the Code, the exclusion of interest from gross income for federal income tax purposes may have certain adverse federal income tax consequences on items of income, deduction or credit for certain taxpayers, including financial institutions, certain insurance companies, recipients of Social Security and Railroad Retirement benefits, those that are deemed to incur or continue indebtedness to acquire or carry tax-exempt obligations, and individuals otherwise eligible for the earned income tax credit. The applicability and extent of these or other tax consequences will depend upon the particular tax status or other items of income and expense of the owner of the Bonds. Bond Counsel will express no opinion regarding those consequences.

Purchasers of the Bonds at other than their original issuance at the respective prices indicated on the cover should consult their own tax advisors regarding other tax considerations such as the consequences of market discount.

Original Issue Discount

Certain of the Series B Bonds (“Discount Bonds”) are being offered and sold to the public at an original issue discount (“OID”). OID is the excess of the stated redemption price at maturity (the principal amount) over the “issue price” of such Series B Bonds. The issue price of a Discount Bond is the initial offering price to the public (other than to bond houses, brokers or similar persons acting in the capacity of underwriters or wholesalers) at which a substantial amount of the Discount Bonds of the same maturity are sold pursuant to that offering. For federal income tax purposes, OID accrues to the owner of a Discount Bond over the period to maturity based on the constant interest rate method, compounded semiannually (or over a shorter permitted compounding interval selected by the owner). The portion of OID that accrues during the period of ownership of a Discount Bond (i) is interest excludable from the owner’s gross income for federal income tax purposes to the same extent and subject to the same considerations discussed above as to other interest on the Series B Bonds, and (ii) is added to the owner’s tax basis for purposes of determining gain or loss on the maturity, redemption, prior sale or other disposition of that Discount Bond. A purchaser of a Discount Bond at its issue price in the initial public offering who holds that Discount Bond to maturity will realize no gain or loss upon the retirement of the Discount Bond.

Owners of Discount Bonds (or book entry interests in them) should consult their own tax advisers as to the determination for federal income tax purposes of the amount of OID or amortizable bond premium properly accruable in any period with respect to the Discount Bonds and as to other federal tax consequences and the treatment of OID and bond premium for state and local tax purposes.

Original Issue Premium

Certain of the Series B Bonds (“Premium Bonds”) are being offered and sold to the public at a price in excess of their stated redemption price (the principal amount) at maturity. That excess constitutes bond premium. For federal income tax purposes, bond premium is amortized over the period to maturity of a Premium Bond, based on the yield to maturity of that Premium Bond (or, in the case of a Premium Bond callable prior to its stated maturity, the amortization period and yield must be determined on the basis of the earliest call date that results in the lowest yield on that Premium Bond), compounded semiannually. No portion of that bond premium is deductible by the owner of a Premium Bond. For purposes of determining the owner’s gain or loss on the sale, redemption (including redemption at maturity) or other disposition of a Premium Bond, the owner’s tax basis in the Premium Bond is reduced by the amount of bond premium that accrues during the period of ownership. As a result, an owner may realize taxable gain for federal income tax purposes upon the sale or other disposition of a Premium Bond for an amount equal to or less than the amount paid by the owner for that Premium Bond. A purchaser of a Premium Bond at its issue price in the initial offering who holds that Premium Bond to maturity (or, in the case of a callable Premium Bond, the earliest call date that results in the lowest yield on that Premium Bond) will realize no gain or loss upon the retirement of that Premium Bond.

Owners of Premium Bonds (or book entry interests in them) should consult their own tax advisors as to the determination for federal income tax purposes of the amount of bond premium properly accruable in any

period with respect to the Premium Bonds and as to other federal tax consequences and the treatment of bond premium for state and local tax purposes.

APPROVAL OF LEGAL PROCEEDINGS

Legal matters incident to the issuance of the Bonds and with regard to the tax-exempt status of the interest thereon (see “TAX MATTERS”) are subject to the legal opinion of Squire, Sanders & Dempsey L.L.P., Bond Counsel. A signed copy of that opinion, dated and speaking only as of the date of the original delivery of the Bonds, will be delivered to the Underwriters, and a copy of that opinion will be printed on the Bonds.

The proposed text of the legal opinion is set forth in Appendix F hereto. The legal opinion to be delivered may vary from that text if necessary to reflect facts and law on the date of delivery. The opinion will speak only as of its date, and subsequent distribution of it by recirculation of the Offering Circular or otherwise shall create no implication that Bond Counsel has reviewed or expresses any opinion concerning any of the matters referred to in the opinion subsequent to its date.

While Bond Counsel has participated in the preparation of portions of this Offering Circular, it has not been engaged to confirm or verify, and expresses and will express no opinion as to, the accuracy, completeness or fairness of any statements in this Offering Circular, or in any other reports, financial information, offering or disclosure documents or other information pertaining to the University or the Bonds that may be prepared or made available by the University, the Underwriters, or otherwise to the bidders for or holders of the Bonds or others.

In addition to rendering the legal opinion, Bond Counsel will assist in the preparation of and advise the Commission and the University concerning documents for the bond transcript.

Certain legal matters in connection with the Bonds will be passed upon for the University by Joel Makee, Esq., as University Attorney, for the Bank by Kutak Rock LLP, and for the Underwriters by Thompson Hine LLP, as counsel for the Underwriters.

RATINGS

Contingent upon the delivery by the Bank of the Initial Liquidity Facility, as described under the caption “THE BONDS — Description of the Series A Bonds — Liquidity Facility”, the Series A Bonds will be assigned a short-term rating of A-1+ and a long-term rating of AA by Standard & Poor’s Ratings Services (“S&P”) and a short-term rating of VMIG 1 and a long-term rating of Aa2 by Moody’s Investors Service, Inc. (“Moody’s”). The Series B Bonds have been assigned a long-term rating of AA by S&P and a long-term rating of Aa2 by Moody’s. The University furnished to such rating agencies the information contained in this Offering Circular and certain other materials and information about the University. Generally, rating agencies base their ratings on such materials and information, as well as separate investigations, studies and assumptions.

A rating reflects only the view of the agency giving such rating and is not a recommendation to buy, sell or hold the Bonds. An explanation of the significance of such rating may only be obtained from the rating agency. Such ratings may be changed at any time, and no assurance can be given that they will not be revised downward or withdrawn entirely by either or both of such rating agencies if, in the judgment of either or both, circumstances so warrant. Any such downward revision or withdrawal of either of such ratings may have an adverse effect on the market price of the Bonds.

The University undertakes no responsibility either to bring to the attention of the owners of the Bonds any proposed change in or withdrawal of such ratings or to oppose any such revision or withdrawal.

UNDERWRITING

Morgan Stanley & Co. Incorporated, NatCity Investments, Inc. and McDonald Investments Inc. have agreed to purchase the Series A Bonds at an aggregate purchase price of \$64,698,303.40 (equal to the aggregate principal amount of the Series A Bonds, less an Underwriters' discount of \$176,696.60). Additionally, Morgan Stanley & Co. Incorporated, NatCity Investments, Inc. and McDonald Investments Inc. have agreed to purchase the Series B Bonds at an aggregate purchase price of \$35,835,514.47 (equal to the aggregate principal amount of the Series B Bonds, plus net premium of \$929,426.95, less an Underwriters' discount of \$218,912.48). The Underwriters may offer and sell the Bonds to certain dealers (including dealers depositing such Bonds into investment trusts) and others at prices lower than the public offering prices stated on the inside cover page hereof. The public offering price set forth on the inside cover page hereof may be changed after the initial offering by the Underwriters. The Series A Bond Purchase Agreement and the Series B Bond Purchase Agreement provide that the Underwriters will purchase all the Series A Bonds and Series B Bonds, respectively, if any are purchased, and requires the University to indemnify the Underwriters and the Commission against losses, claims, damages and liabilities arising out of any incorrect statements or information including the omission of material facts, contained in this Offering Circular pertaining to the University and other specified matters.

Morgan Stanley & Co. Incorporated is also serving as Remarketing Agent for the Series A Bonds.

CONTINUING DISCLOSURE

The Series A Bonds are exempt from the continuing disclosure requirements of paragraph (b)(5) of Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934 (the "Rule"), so long as they bear interest at the Daily Rate, Weekly Rate or Commercial Paper Rate. If the Series A Bonds are converted to a Term Rate or a Dutch Auction Rate or issued in denominations of less than \$100,000, the Series A Bonds may become subject to the continuing disclosure requirements under the Rule.

The Series B Bonds are subject to the continuing disclosure requirements of the Rule. The University will agree, for the benefit of the holders and beneficial owners from time to time of the Series B Bonds, in accordance with, and as the only obligated person with respect to the Series B Bonds under the Rule, to provide or cause to be provided such financial information and operating data ("Annual Information"), financial statements and notices, in such manner, as may be required for purposes of paragraph (b)(5) of the Rule (the "Continuing Disclosure Agreement"). The University will agree expressly to provide or cause to be provided:

(a) to each nationally recognized municipal securities information repository designated from time to time by the SEC in accordance with the Rule ("NRMSIR") and to any state information depository with which filings are required to be made by the University in accordance with the Rule ("SID"), (i) Annual Information for each fiscal year of the University, commencing with Annual Information for the fiscal year ending June 30, 2002 not later than 270 days following each fiscal year, and (ii) when and if available, the University's audited consolidated financial statements for each such fiscal year; and

(b) to each NRMSIR or to the Municipal Securities Rulemaking Board ("MSRB"), and to any SID, in a timely manner, (i) notice of any Specified Event described below if that Event is material, (ii) notice of the University's failure to provide the Annual Information with respect to itself within the time specified above, and (iii) notice of any change in the accounting principles applied in the preparation of annual consolidated financial statements, any change in the University's fiscal year, the University's failure to appropriate funds to meet costs to be incurred to perform the Continuing Disclosure Agreement, and the termination of that Agreement.

Annual Information to be provided will consist of annual financial information and operating data of the type included in Appendix A under the captions "Research at the University", "Faculty", "Employees", "Enrollment", "Tuition and Fees", "Financial Aid", "Gifts, Grants and Bequests" and "University Endowment

Assets”. Specified Events to be disclosed, if material, include the occurrence of any of the following events, within the meaning of the Rule, with respect to the Series B Bonds: principal and interest payment delinquencies; non-payment related defaults; unscheduled draws on debt service reserves reflecting financial difficulties; unscheduled draws on credit enhancements reflecting financial difficulties; substitution of credit or liquidity providers, or their failure to perform; adverse tax opinions or events affecting the tax-exempt status of the Series B Bonds; modifications to rights of holders or beneficial owners; bond calls; defeasances; release, substitution, or sale of property securing repayment of the Series B Bonds; and rating changes. The scheduled redemption of Series B Bonds pursuant to mandatory sinking fund redemption requirements does not constitute a Specified Event within the meaning of the Rule; notice of any such call for redemption will be given to Holders as described under “THE BONDS – Description of the Series B Bonds – Redemption – Notice of Redemption”.

The University expects that its audited consolidated financial statements will be prepared, any such statements will be available together with the Annual Information, and the accounting principles to be applied in the preparation of those financial statements will be as described in generally accepted accounting principles. The University expects that Annual Information will be provided directly by the University and, in part, by cross-reference to other documents to each NRMSIR and any SID.

The Continuing Disclosure Agreement may be amended as may be necessary or appropriate to achieve its compliance with any applicable federal securities law or rule, to cure any ambiguity, inconsistency or formal defect or omission, and to address any change in circumstances arising from a change in legal requirements, change in law, or change in the identity, nature or status of the University, or type of business conducted by the University. Any such amendment shall not be effective unless the Continuing Disclosure Agreement (as amended) would have complied with the requirements of the Rule at the time of the primary offering of the Series B Bonds, after taking into account any applicable amendments to or official interpretations of the Rule, as well as any change in circumstances, and until the University and the Trustee shall have received either (a) a written opinion of bond or other qualified independent special counsel or determination of the Trustee that the amendment would not materially impair the interest of holders or beneficial owners of the Series B Bonds or (b) the written consent to the amendment of the holders or beneficial owners of a majority of the principal amount of the Series B Bonds then outstanding. Annual information containing any amended operating data or financial information will explain, in narrative form, the reasons for any such amendment and the impact of the change on the type of operating data or financial information being provided.

The Continuing Disclosure Agreement is solely for the benefit of the holders and beneficial owners from time to time of the Series B Bonds, and the exclusive remedy for its breach will be a right to obtain its specific performance (by mandamus or other lawful means). The Trustee may, and upon request of holders and beneficial owners of 25% in principal amount of the Series B Bonds then outstanding is required to, institute and maintain proceedings to enforce any obligation of the University under the Continuing Disclosure Agreement. In addition, in the absence of any pertinent filing when a filing is due, any individual holder or beneficial owner may institute and maintain proceedings to enforce the University’s obligation to provide or cause to be provided a pertinent filing; provided, that an individual holder or beneficial owner shall not be entitled to institute or maintain proceedings to challenge the sufficiency of any pertinent filing that is made.

Any failure by the University to comply with any provision of the Continuing Disclosure Agreement will not constitute a failure or a default, or an Event of Default, under the Series B Lease, the Series B Guaranty or the Series B Trust Agreement.

The Continuing Disclosure Agreement will remain in effect only for such period that the Series B Bonds are outstanding in accordance with their terms and the University remains in obligated person with respect to the Series B Bonds within the meaning of the Rule. The obligation of the University to provide the Annual Information and notices of the events described above will terminate, if and when the University no longer remains such an obligated person.

The following NRMSIR's exist at this time: Bloomberg Municipal Repository, Skillman, New Jersey; DPC Data Inc., Fort Lee, New Jersey; FT Interactive Data, New York, New York; and Standard & Poor's J.J. Kenny Repository, New York, New York.

The Treasurer of the State of Ohio has designated the Ohio Municipal Advisory Council as the SID for the State pursuant to SEC Rule 15c2-12 and legislation enacted by the Ohio General Assembly.

UNIVERSITY FINANCIAL STATEMENTS

The financial statements of the University for the fiscal year ending June 30, 2001, appended hereto as Appendix B to this Offering Circular, have been audited by PricewaterhouseCoopers LLP, independent accountants, whose report dated September 27, 2001, is also appended hereto.

MISCELLANEOUS

The University has furnished all information herein relating to the University. Any statements herein involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact, and no representation is made that any of such statements will be realized. Neither this Offering Circular nor any statement which may have been made orally or in writing is to be construed as a contract with the beneficial owner of any Bond.

All of the summaries of the provisions of the Bonds, the Trust Agreements, the Initial Liquidity Facility, the Leases and the Guaranties set forth herein (exclusive of financial and statistical data), and all other summaries and references to such other materials not purporting to be quoted in full, are only brief outlines of certain provisions thereof and are made subject to all of the detailed provisions thereof, to which reference is hereby made for further information, and do not purport to be complete statements of any or all such provisions of such documents.

All estimates and assumptions herein have been made on the best information available and are believed to be reliable. No representations whatsoever are made that such estimates or assumptions herein involve anything other than matters of opinion. Whether or not expressly so stated, they are intended to be opinions and not representations of fact.

The information set forth herein, or in the Appendices, should not be construed as representing all of the conditions affecting the University.

A complete transcript of proceedings and no-litigation certificate (as described above) will be delivered by the Commission upon delivery of the Bonds to the original purchaser. At that time, the University will furnish to the original purchaser a certificate relating to the accuracy and completeness of this Offering Circular (including matters set forth in or contemplated by it), and to its being a "final offering circular" in the University's judgment for purposes of SEC Rule 15c2-12(b)(3).

CONSENT TO DISTRIBUTION

The University and the Commission have authorized distribution of this Offering Circular.

CASE WESTERN RESERVE UNIVERSITY

By: /s/ Rhonda I. Gross
Rhonda I. Gross, Senior Vice President for
Finance and Administration

APPENDIX A

CERTAIN INFORMATION ABOUT THE UNIVERSITY

CASE WESTERN RESERVE UNIVERSITY

GENERAL DESCRIPTION

Case Western Reserve University (the "University"), an Ohio nonprofit corporation, is the largest independent research university in Ohio, providing undergraduate, graduate and professional programs in health (including medicine, nursing and dentistry), engineering, the arts and sciences, law, management and social work. The University's campus occupies 150 acres and contains 87 major buildings for academic, administrative and residential use. Western Reserve University, founded in 1826, and Case Institute of Technology, founded in 1880, federated in 1967 to form Case Western Reserve University.

The University is located in University Circle, a 500-acre concentration of more than 40 educational, medical, cultural, religious and social service institutions at the eastern edge of Cleveland, Ohio. In addition to the University, which is the largest institution in University Circle, the community includes Severance Hall, home of the world-famous Cleveland Orchestra; the Cleveland Museum of Art, housing one of the nation's finest collections; the Cleveland Institute of Music; the Cleveland Institute of Art; the Western Reserve Historical Society; the Cleveland Museum of Natural History; and several medical facilities, including University Hospitals of Cleveland.

The University admits students without discrimination as to race, color, sex, religion, age, personal handicap and national or ethnic origin. Approximately 35% of the 2000-01 bachelor's degree recipients pursued graduate and professional studies at leading institutions of learning in the United States and abroad. The University's opening enrollment for the 2001-02 academic year was 7,594 full-time equivalent students. In addition, 110 full-time equivalent students from the Cleveland Institute of Music were enrolled at the University through the joint music program.

Governing Structure

The University is governed by a Board of Trustees (the "Board") consisting of 52 members, including the President of the University, who is an *ex officio* member. All of the Board members except the President are elected by the Board for 3-year terms and are eligible for re-election. Customary retirement occurs at age 70; however, under unusual circumstances, a person may be elected or re-elected as a Trustee after age 70, but every Trustee must retire at age 75.

Honorary Trustees are elected by the Board, upon recommendation of the Board's Nominating Committee. Honorary Trustees may attend and participate in Board meetings, but do not have a vote.

The Board holds three regular meetings during the University's academic and fiscal year (July 1-June 30). Special meetings may be called from time to time. The presence of 15 Trustees is required for a quorum at any meeting of the Board. Most actions of the Board require the affirmative vote of a majority of the Trustees present at a meeting at which a quorum is present. The Executive Committee of the Board meets during the following months of each academic year: (i) August or September, (ii) December, (iii) January, (iv) April or May and at such other times as may be specified by the Chairman or three members of the Executive Committee. The Executive Committee has 13 members, each of whom is an active Trustee. Six members of the Executive Committee constitute a quorum at meetings. In the intervals between Board meetings, the Executive Committee has full power to take any action that the Board is authorized to take except (1) the filling of vacancies on the Board or the Executive Committee; (2) the election of Honorary Trustees; (3) the election or removal from office of the President; and (4) the amendment of the Articles of Incorporation, the Regulations or the By-Laws of the Board. The standing committees of the Board include: Executive, Investment, Facilities and Grounds, Audit, Nominating, Management/Compensation, Development and Alumni Affairs, Finance, Academic Affairs, Student Life and Technology Transfer.

The following tables set forth the members of the Board and the Honorary Trustees as of April 1, 2002, each member's principal business or professional affiliation as of that date, and the month and year in which each member's term expires. The terms of Honorary Trustees do not have an expiration date.

TRUSTEES

<u>Name</u>	<u>Affiliation</u> *	<u>Term Expires</u>
George N. Aronoff	Chairman, Benesch, Friedlander, Coplan & Aronoff LLP	March 2003
Sarah S. Austin	Consultant	June 2002
Malvin E. Bank	General Counsel, The Cleveland Foundation, Thompson Hine LLP	June 2002
William G. Bares	Chairman, President and Chief Executive Officer, The Lubrizol Corporation	October 2003
Charles P. Bolton Chairman of the Board of Trustees	Chairman of the Board, Brittany Corporation	June 2003
David L. Brennan	Chairman, Brennan Industrial Group, Inc.	June 2002
William E. Bruner, II, M.D.	Clinical Professor of Ophthalmology; University Ophthalmology Associates, Inc.	March 2003
Timothy J. Callahan	President, MCT Corporation	June 2003
Theodore J. Castele, M.D.	Chairman, Dean's Technology Council, School of Medicine, Case Western Reserve University	October 2002
Antony E. Champ, Ph.D.	Owner, White Hall Vineyards	March 2003
Archie G. Co	Chairman and Chief Executive Officer, Ginza Bellevue Hotel, Ltd.	June 2004
David A. Daberko	Chairman and Chief Executive Officer, National City Corporation	March 2003
Richard A. Derbes	Managing Director, retired Morgan Stanley	October 2002
Edward M. Esber, Jr.	CEO, President, The Esber Group	October 2003
Allen H. Ford	Consultant	October 2003
Robert W. Gillespie	Chairman Emeritus, KeyCorp	June 2002

* Certain members of the Board of the University may be partners, officers, directors or stockholders of, or may have other financial interests in or business relationships with, financial institutions, law firms or brokerage firms that are Underwriters of or may act as Trustee for the bonds, or which serve as bond counsel or as counsel to the Commission, the Trustee or the Underwriters. No such institution or firm will be disqualified from acting as an Underwriter, as counsel or as Trustee because of the existence of such a relationship.

<u>Name</u>	<u>Affiliation*</u>	<u>Term Expires</u>
Fred D. Gray	Senior Partner, Gray, Langford, Sapp, McGowan, Gray & Nathanson	March 2005
Sally Gries	Chairperson, President and Chief Executive Officer, Gries Financial LLC	March 2003
Elaine G. Hadden	Community Affairs	October 2003
Peter S. Hellman	Executive Vice President, Nordson Corporation	March 2003
Robert J. Herbold, Ph.D.	Managing Director, Herbold Group LLC and Executive Vice President and Chief Operating Officer, retired, Microsoft Corporation	March 2005
Michael J. Horvitz	Partner, Jones, Day, Reavis & Pogue	October 2004
George M. Humphrey, II	President, Extrudex	October 2002
David P. Hunt	Chairman, Project Return, Inc.	October 2002
Jennie S. Hwang, Ph.D.	President, H-Technologies Group, Inc. Co-Founder & CEO, FreeDonation.com, Inc.	October 2002
Joseph P. Keithley	Chairman, President and Chief Executive Officer, Keithley Instruments, Inc.	March 2004
Bruce J. Klatsky	Chairman and Chief Executive Officer, Phillips-Van Heusen Corp.	October 2002
Charles J. Koch	Chairman, President and Chief Executive Officer, Charter One Bank, F.S.B.	October 2002
Edith K. Lauer	Chairman, Hungarian American Coalition	October 2002
Alfred Lerner	Chairman and Chief Executive Officer, MBNA Corporation and Owner, Cleveland Browns	March 2003
John F. Lewis	Managing Partner - Cleveland, Squire, Sanders & Dempsey L.L.P.	October 2002
Frank N. Linsalata Vice Chairman of the Board of Trustees	Chairman and Chief Executive Officer, Linsalata Capital Partners	October 2002
Joshua W. Martin III	President and Chief Executive Officer, Verizon Delaware Inc.	June 2002
A. Malachi Mixon, III	Chairman and Chief Executive Officer, Invacare Corporation	October 2004
Mario M. Morino	Chairman, Morino Institute and Special Partner, General Atlantic Partners	October 2002

<u>Name</u>	<u>Affiliation*</u>	<u>Term Expires</u>
John C. Morley	President, Evergreen Ventures, Ltd.	June 2002
Lucia S. Nash Patrick S. Parker	Community Affairs Chairman Emeritus, Parker Hannifin Corporation	October 2002
Richard W. Pogue	Senior Advisor, Dix & Eaton	March 2004
Anne S. Pruitt, Ed.D.	Scholar in Residence, Council of Graduate Schools, Washington, DC	June 2002
Alfred M. Rankin, Jr.	Chairman, President and Chief Executive Officer, NACCO Industries, Inc.	June 2003
James A. Ratner	Executive Vice President, Forest City Enterprises, Inc.	October 2004
Carol G. Renner	Health Educator	June 2003
Joseph B. Richey	President, Invacare Technologies Division and Senior Vice President – Electronic & Design Engineering, Invacare Corporation	June 2003
James A. Rutherford	President, Wingset, Inc.	March 2003
Ward Smith	Retired Chairman, NACCO Industries, Inc.	October 2002
Robert D. Storey	Partner, Thompson Hine LLP	June 2002
Joseph H. Thomas	Senior Portfolio Manager, Lakepoint Investment Partners	October 2003
James W. Wagner	Interim President Case Western Reserve University	<i>ex officio</i>
Patrick C. Walsh, M.D.	David Hall McConnell Professor and Director, Department of Urology, and Urologist-In-Chief, Johns Hopkins Medical Institutions	March 2003
Russell J. Warren	President and Chief Executive Officer, The TransAction Group	June 2002
Richard T. Watson	President and Managing Partner, Spieth, Bell, McCurdy & Newell Co., L.P.A.	March 2005

HONORARY TRUSTEES

<u>Name</u>	<u>Affiliation</u>
Ralph M. Besse	Former Partner, Squire, Sanders & Dempsey, and Former Chairman of the Board, Cleveland Electric Illuminating Co.

<u>Name</u>	<u>Affiliation</u>
Claude M. Blair	Former Chairman of the Board, National City Corporation
Marvin Bower	Former Director, McKinsey & Co., Inc.
Harvey Brooks, Ph.D.	Professor Emeritus, Harvard University
Anne M. Clapp	Community Affairs
M. Roger Clapp	Former Chairman of the Board, The Lubrizol Company
Helen T. Clements	Community Affairs
John R. Donnell	Former Senior Vice President, Marathon Oil Company
Dorothy Humel Hovorka	Community Affairs
Louise Ireland Humphrey (Mrs. Gilbert W.)	Community Affairs
Morton L. Mandel	Deputy Chairman, Premier Farnell Corporation
Samuel H. Miller	Co-Chairman of the Board, Forest City Enterprises, Inc.
Lindsay J. Morgenthaler	Community Affairs
Edward B. Neff	President, Stud Welding Associates
Karl H. Rudolph	Former Chairman of the Board, Cleveland Electric Illuminating Co.
Horace A. Shepard	Former Chairman of the Board, TRW, Inc.
Elizabeth Spahr	Director of Administration & Finance, American Association of University Women
Richard H. Stewart	Former Partner, Jones, Day, Reavis & Pogue
Bertram D. Thomas	Former President, Battelle Memorial Institute
Robert M. Ward	President, Ward Associates
Albert J. Weatherhead, III	President, Weatherhead Industries, Inc.
Willis J. Winn	Former President, Federal Reserve Bank of Cleveland
Hon. Milton A. Wolf, Ph.D.	U.S. Ambassador, Retired, and President, Milton A. Wolf Investors

Administration

The business affairs of the University are administered and managed on a day-to-day basis by senior administrators of the University, including a president, provost, vice president for finance and administration and treasurer, all of whom are appointed by the Board. These administrators are:

James W. Wagner, Interim President
B.S. (University of Delaware)
M.S. and Ph.D. (Johns Hopkins University)

James W. Wagner was appointed Interim President of the University on May 3, 2001. Since September 1, 2000, he served as Provost and University Vice President. Prior to his appointment as Provost, he had been Dean of the Case School of Engineering since January 1998, and he continues to hold a professorial appointment with the Department of Materials Science and Engineering. Before coming to the University, Dr. Wagner was professor of materials science and engineering at Johns Hopkins University, where he chaired the Department of Materials Science and Engineering and was director of the Materials Research Center of Excellence. He is a member of the technical advisory boards of two serial publications and has served as a member of the National Materials Advisory Board.

Lynn Singer, Interim Provost and University Vice President
B.A. (Duquesne University)
M.Ed. (University of Pittsburgh)
M.A. and Ph.D. (Case Western Reserve University)

Lynn Singer was named Interim Provost and University Vice President on December 5, 2001. She had been Vice Provost for Planning and Assessment since April 2001. In that role, she provided leadership for activities to support academic planning and assessment and for advising on such matters as resource allocation for faculty and academic programs. Dr. Singer is a professor of pediatrics and psychiatry. She also is an associate medical staff member at both MetroHealth Medical Center and at University Hospitals of Cleveland, and from 1994-98 was director of the Center for the Advancement of Mothers and Children at MetroHealth. Her research focuses on health problems facing children and families.

Rhonda I. Gross, Senior Vice President for Finance and Administration
B.S. (Washington University)
M.B.A. (Northwestern University)

Rhonda I. Gross joined the University in April 2001 as Senior Vice President for Finance and Administration. From 1995-2000, she served as Vice President for Finance and Administration at Lehigh University. From 1974 to 1995, she held positions in budgeting and financial management at the University of Pittsburgh, including service from 1993-95 as Associate Vice Chancellor for Budget and Administration. She has served on the board of the Eastern Association of College and University Business Officers (EACUBO), and has been active on numerous committees in EACUBO and NACUBO (the National Association of College and University Business Officers). She has also served on a variety of community boards, most related to economic development.

William M. Rose, Treasurer
B.S. (University of Illinois)
M.B.A. (Virginia Polytechnic and State University)

William R. Rose joined the University in May 1996 after a 16-year career with the American Red Cross in Washington D.C. and the International Red Cross in Geneva, Switzerland. Earlier in his career, Mr. Rose was an audit manager with Arthur Andersen & Co. He served as the chief investment officer at the American Red Cross, overseeing the investment of the organization's pension, endowment and operating funds. He later served as the chief financial officer for Red Cross Biomedical Operations. In Geneva, Mr. Rose was chief financial officer for the International Federation of Red Cross and Red Crescent Societies, which coordinates worldwide relief and

development activities for the Red Cross Movement. Mr. Rose is a member of the American Institute of Certified Public Accountants, the Association for Investment Management and Research and the Cleveland Society of Security Analysts.

The University has announced that Edward M. Hundert, M.D., has been named President of the University and will assume that position on August 1, 2002.

Edward M. Hundert, President-Designate
B.S. (Yale University)
M.A. (Oxford University)
M.D. (Harvard Medical School)

Edward M. Hundert was named President of the University on January 17, 2002, and will assume that position on August 1, 2002. He is currently Dean of the School of Medicine and Dentistry at the University of Rochester, a position he has held since 2000. For the three years before his appointment as Dean, Dr. Hundert was the University of Rochester's Senior Associate Dean for Medical Education, leading the medical school's faculty and students in creating the "Double Helix Curriculum," a sweeping integration of the basic and clinical sciences across the four-year medical school experience. He also holds a faculty appointment as Professor of Psychiatry and Medical Humanities. Before arriving at Rochester in 1997, Dr. Hundert served as Associate Dean for Student Affairs at Harvard Medical School, as well as the Assistant Director of Psychiatric Residency Training at McLean Hospital in Belmont, Massachusetts. Dr. Hundert is the author of two books and numerous articles on a variety of topics in psychiatry, philosophy, medical ethics, and medical education. He holds a number of significant appointments on policy groups affecting education and health care, including the Liaison Committee on Medical Education (LCME), the nationally recognized accrediting authority for medical education programs in the U.S. and Canada.

Academic Programs

The academic programs of the University are administered through the College of Arts and Sciences, the Case School of Engineering and six professional schools, with coordination provided by the President and Provost. The major academic divisions of the University are described below, along with a listing of their principal offerings. Several of these units cooperate to offer programs leading to joint degrees.

The University's academic year is divided into two semesters. The number of semester credit hours required for the baccalaureate varies with the major field of study, ranging from 120 credit hours for most of the arts and sciences programs to 127-133 credit hours for most of the engineering programs.

Course offerings are extensive. Students at the University may choose from among approximately 130 fields of concentration, many of which are interdisciplinary and offer advanced study leading to masters and doctoral degrees.

The College of Arts and Sciences offers curricula leading to B.A. and B.S. degrees in more than 40 disciplines in the arts, humanities, social sciences, mathematics and natural sciences. Faculty in the College of Arts and Sciences also conduct research and offer instruction leading to M.A., M.F.A., M.S. and Ph.D. degrees in these fields.

The Case School of Engineering offers courses leading to the B.S., M.S., M.Engr. and Ph.D. degrees in more than a dozen fields of engineering. The new Institute for the Integration of Management and Engineering, a joint venture of the Case School of Engineering and the Weatherhead School of Management, offers the Master of Engineering Management (M.E.M.) degree, designed to prepare undergraduate engineering majors for work in a business environment, particularly in technology-based organizations. Faculty in the School are also engaged in extensive research and scholarship, much of which is externally sponsored.

The School of Graduate Studies confers M.A., M.S., M.F.A., M.P.H., and Ph.D. degrees upon students who have completed advanced study in engineering, the arts, humanities and social sciences, mathematics and natural

sciences and various professional fields. The School is an administrative unit. Graduate instruction is provided by faculty who hold appointments in the College of Arts and Sciences and professional schools.

The Mandel School of Applied Social Sciences offers curricula leading to the M.S.S.A. (Master of Science in Social Administration) degree in social work, and to the Ph.D. degree in social welfare. In collaboration with the School of Law and the Weatherhead School of Management, the Mandel School administers the Mandel Center for Nonprofit Organizations. The Mandel School and the Weatherhead School offer a joint program leading to the degree of Master of Nonprofit Organizations (M.N.O.). The Mandel School also operates a continuing education program for social work practitioners in the community.

The School of Dentistry offers a curriculum leading to the D.D.S. degree, and postdoctoral training in several dental specialties leading to the M.S.D. degree. In conjunction with its curriculum, the School also operates a dental clinic on campus where students provide dental service to area residents under close supervision by faculty.

The School of Law offers curricula leading to the J.D. and LL.M. degrees. As part of its curricula, the School also operates a legal clinic in which law students (under close faculty supervision) provide services to clients from the community.

The Weatherhead School of Management offers curricula leading to the B.S., M.S., M.Acc., M.B.A., E.D.M. (Executive Doctor of Management) and Ph.D. degrees in management, accounting, organizational behavior, operations research and other areas of business administration. Members of the Weatherhead School's faculty also provide instruction in economics for undergraduate students enrolled in the College of Arts and Sciences. As noted above, the Weatherhead School offers joint programs with the Mandel School and the Case School of Engineering leading to the M.N.O. and M.E.M. degrees, respectively.

The School of Medicine offers a curriculum developed at the University leading to the M.D. degree. This curriculum, which is emulated widely throughout the world, features an interdisciplinary approach to organ systems. The School's pre-clinical departments offer instruction leading to the M.S., Ph.D. and M.D.- Ph.D. degrees in the biomedical sciences. Faculty in the School are extensively involved in biomedical research. Full-time faculty in the School's clinical disciplines also have a major commitment to patient care and to close supervision of medical students' involvement in patient services in a network of affiliated hospitals and clinics.

The Frances Payne Bolton School of Nursing offers curricula leading to professional degrees in nursing: the Bachelor of Science in Nursing (B.S.N.) degree, with an emphasis on acute care, and the Doctor of Nursing (N.D.) degree, a professional degree for students who already have baccalaureates in the liberal arts or sciences. The School also offers instruction leading to the M.S.N. degree in several nursing specialties, and to the Ph.D. in Nursing. The School's faculty members also maintain an active research program.

Special Programs For Undergraduate Students

The University has many special programs of study for undergraduates, including:

Pre-Professional Scholars Programs and the Six-Year Dental Program: These programs grant to a few outstanding freshman applicants conditional commitments of admission to the professional schools of dentistry, law, and medicine at the University.

Early Decision For Admission to the School Of Law: This program grants a conditional commitment of admission to the School of Law to outstanding students at the University who have completed two years of undergraduate study and taken the Law School Admission Test.

Senior Year in Absentia Privilege: Students of superior ability and attainment who are candidates for a B.A. degree and are admitted during their junior year to medical or dental schools other than those at the University are eligible for an opportunity to shorten their entire course of studies by one year by substituting work in the first year of professional school for their final undergraduate year.

Senior Year in Professional Studies at the University: Students of superior ability and attainment who are candidates for a B.A. degree and are admitted during their junior year to professional studies in dentistry, medicine, nursing or social work at the University are offered an opportunity to shorten their entire course of studies by one year by substituting work in the first year of professional school for their final undergraduate year.

Integrated Graduate Studies: Candidates for a B.A. degree whose objective is a degree at the master's or doctoral level may be admitted to graduate study for their senior year and pursue the simultaneous completion of requirements for both the master's and bachelor's degrees.

Integrated B.S./M.S. Program: Students who are candidates for the B.S. degree in engineering, computer science, mathematics, natural sciences or statistics may begin study toward the M.S. while still an undergraduate. Nine hours of credit can be counted toward both the B.S. and M.S. degrees.

International Exchange Programs: Qualified students may participate in Junior Year Abroad or other international exchange programs through established foreign universities or approved foreign study programs offered through accredited American universities. Case Western Reserve University participates in the Global Engineering Education Exchange (GE3), an international exchange program administered by the Institute for Engineering Education. The University also has bilateral exchange agreements with universities in France, Germany, Singapore, Turkey, and the UK.

The Washington Semester: Qualified students may earn a semester's credit for satisfactory completion of work with source materials and at federal government institutions.

Co-Operative Education Program: Cooperative education offers students majoring in engineering, science, management and accounting the opportunity to alternate classroom studies with full-time employment during their undergraduate careers.

Minority Engineers Industrial Opportunity Program: This program extends from junior high school through college to prepare and support minority students desiring the opportunity to pursue careers in engineering.

Undergraduate Scholars Program: This program permits a small number of highly motivated and responsible undergraduates to pursue individually-designed programs of study leading to a B.A. or B.S. degree.

Teacher Licensure: The University offers preparation for teacher licensure in art education and music education for grades Pre-K through 12 at the undergraduate and graduate levels, and in school speech-language pathology (through the Department of Communication Sciences) at the graduate level. The University also offers preparation for Adolescence/Young Adult Teacher Licensure in biology, chemistry, English, history, mathematics and physics through a joint program with John Carroll University. Multi-age licensure is available in French.

Research at the University

The University has been classified by the Carnegie Foundation for the Advancement of Teaching as a Doctoral/Research University - Extensive. This description is given to those institutions that are committed to graduate education through the doctorate and award 50 or more doctoral degrees per year across at least 15 disciplines. The University generally awards more than 150 Ph.D. degrees annually. For the federal fiscal year 2000, the most recent period for which complete information is available, the University ranked 25th among all institutions in the country (12th among private institutions) in federal awards to support research and development.

The University's total research and training revenues (including indirect cost recovery) have grown significantly over the last five years:

<u>Fiscal Year</u>	<u>Revenues</u>
2000-01	\$ 204,118,000
1999-2000	192,470,000
1998-99	178,410,000
1997-98	171,369,000
1996-97	161,659,000

In fiscal year 2000-01, research accounted for approximately 40.6% of the University's revenues. Major sources of this support were the National Science Foundation for research in the physical sciences, social sciences and engineering, and the National Institutes of Health for support of biological and biomedical research.

While all of the University's schools carry out contract research supported by federal agencies, foundations and business firms, the School of Medicine and the Case School of Engineering are the two major centers of supported scientific research.

The University is a participant in five of the eight State of Ohio Thomas Edison Advanced Technology Application Centers. These centers represent a substantial investment of State funds with matching industry contributions for industry-university cooperative research in polymers, advanced manufacturing, animal genetics, sensors and biomedical technology.

Accreditation and Recognition

The University is a member of the Association of American Universities, and is fully accredited by the Higher Learning Commission of the North Central Association of Colleges and Schools. In addition, several of its programs are fully accredited by nationally recognized professional accrediting associations, including:

- AACSB International – The Association to Advance Collegiate Schools of Business
(business, accounting)
- Accreditation Board for Engineering and Technology
(engineering)
- American Association of Nurse Anesthetists
(nurse anesthesia)
- American Bar Association
(law)
- American Board of Genetic Counseling
(genetic counseling)
- American Chemical Society
(chemistry)
- American Council of Nurse-Midwives
(nurse midwifery)
- American Dental Association
(dentistry)
- American Medical Association and Association of American Medical Colleges, Liaison
- American Psychological Association
(clinical psychology)
- American Speech-Language-Hearing Association
(speech pathology)
- Association of American Law Schools
(law)
- Commission on Accreditation for Dietetics Education, American Dietetic Association
(dietetic internship)
- Committee on Medical Education
(medicine)

Council on Social Work Education
(applied social sciences)
National Association of Schools of Music
(music)
National League for Nursing
(nursing)
Ohio State Board of Education, Teacher Education and Certification Advisory Commission
(art education and music education)

Membership in Athletic Associations

The University is a member of National Collegiate Athletic Association (NCAA Division III) and is a founding member of the University Athletic Association (UAA), a group of independent, research-oriented universities that do not offer athletic scholarships. Other members of the UAA are Brandeis University, Carnegie Mellon University, University of Chicago, Emory University, Johns Hopkins University, New York University, University of Rochester and Washington University. The University's teams compete in various sports such as football, basketball and swimming. No funds are generated from these competitions to the member institutions from advertising or promotion.

Faculty

The University, excluding the School of Medicine, has a full-time faculty of 585, of whom 364 (62%) have tenure. Of the full-time faculty members, approximately 95% hold the Ph.D. degree or the highest degree appropriate to their teaching assignment. The full-time faculty is augmented by more than 100 visiting faculty lecturers and adjunct faculty. The School of Medicine has 1,539 full-time and approximately 2,000 clinical (voluntary) faculty. Of this full-time faculty, 326 (21%) have tenure, and almost all have Ph.D. or M.D. degrees, or both.

The University believes that it is competitive on average faculty compensation as reflected by the American Association of University Professors (AAUP) ratings for its type of institution. In fiscal year 2000-01, the University had an AAUP 2 rating (60th percentile) for average salaries for all ranks (professor, associate professor, assistant professor, and instructor).

Employees

As of June, 2001, the University had 4,049 full-time and part-time benefits eligible employees, including faculty. There has never been a work stoppage by employees. The University believes that its employee relations are good. The University has one collective bargaining unit that represents eight employees.

Pension Plans

The University's employees are covered by one of two pension plans.

Faculty and senior administrative staff, representing about 44.9% of the total participants, are covered by a defined contribution plan. There are two funding vehicles for this plan: individually owned annuity contracts purchased from Teachers Insurance and Annuity Association and College Retirement Equities Funds; and a "Section 403(b)(7)" plan through the Vanguard Fund. Contributions to these plans are made on a current basis according to a defined formula. Each employee is vested immediately.

Remaining staff employees are covered under a defined benefit plan administered by National City Bank. As of June 30, 2001, this plan met all ERISA funding requirements as actuarially determined by Pricewaterhouse Coopers L.L.P.

The University has no unfunded pension obligations since its pension plans are funded on a current basis to the extent of the vested interest of each employee. The University's pension costs for both plans for the fiscal year ended June 30, 2001 totaled \$14.4 million.

Enrollment

The University enrollment is composed predominantly of graduate and professional students with approximately 37% of the students (full-time and part-time) enrolled in undergraduate programs. The total of full-time and part-time students is 9,216 for Fall 2001, with an additional 314 students from the Cleveland Institute of Music enrolled at the University through the joint music program.

The University's students come primarily from the United States, although the University has students from more than 90 other countries, with more than 100 each coming from India, China and European countries. The University has students from all 50 states and the District of Columbia, but the states of Ohio, Pennsylvania, New York, Michigan, New Jersey, Illinois, Massachusetts, Texas and Maryland account for most of the University's American students. In the undergraduate programs, approximately 58% of the University's students are from Ohio.

The fall full-time equivalent ("FTE") student enrollments by major program jurisdiction are shown below for the past five years.

	<u>FTE STUDENTS</u>				
	<u>2001-02</u>	<u>2000-01</u>	<u>1999-2000</u>	<u>1998-99</u>	<u>1997-98</u>
Undergraduate	3,205	3,245	3,165	3,179	3,198
Graduate	1,380	1,311	1,336	1,281	1,342
Professional:					
Dentistry	309	308	260	301	285
Law	715	689	685	714	706
Management	1,033	1,034	964	979	952
Medicine	535	561	567	559	563
Nursing	192	212	200	254	300
Applied Social Sciences	<u>225</u>	<u>239</u>	<u>276</u>	<u>327</u>	<u>402</u>
Total	<u>7,594</u>	<u>7,599</u>	<u>7,453</u>	<u>7,594</u>	<u>7,748</u>

Throughout the past decade there has been strong interest in University programs. The following information pertains to the classes entering Fall 2001.

<u>Student Type</u>	<u>Applications Received</u>	<u>Admittance Granted</u>	<u>Admitted/ Applied</u>	<u>Enrolled</u>	<u>Enrolled/ Admitted</u>	<u>Test Scores</u>
Undergraduate	4,663	3,429	74%	738	22%	Note 1
Graduate	4,309	1,185	28%	469	40%	Note 2
Professional:						
Management	1,137	656	58%	397	61%	Note 3
Applied Social Sciences	296	272	92%	134	49%	Note 4
Law	1,517	860	57%	221	26%	Note 5
Dentistry	1,922	310	16%	88	28%	Note 6
Nursing	259	163	63%	100	61%	Note 7
Medicine	5,176	757	15%	144	19%	Note 8

Notes:

1. Undergraduates: SAT scores for the middle 50% of the enrolled class for Fall 2001 were 600-710 Verbal, 640-730 Math.
2. Graduate Studies: Reporting one average for all graduate programs would not be meaningful since scores vary widely among disciplines. In addition, not all departments require the GRE.
3. Management: The average GMAT score for full-time students entering Fall 2001 was 607.
4. Applied Social Sciences: Applicants to the M.S.S.A. program are not required to submit test scores unless their cumulative undergraduate grade point average is below 2.7.
5. Law: The LSAT scores for the middle 50% of students entering Fall 2001 were 154-160.
6. Dentistry: There are two parts to the Dental Admission Test (DAT): for the class entering Fall 2001, the Academic average was 18.47 and the Perceptual Ability Test (PAT) average was 18.70. These averages are the highest at the School of Dentistry since the DAT scoring scale changed for the class entering in fall 1991.
7. Nursing (N.D., M.S.N.): Average scores not calculated.
8. Medicine: The average Medical College Admission Test (MCAT) score for students entering Fall 2001 was 10.7; the national average for all test-takers was 8.9, and the national average for all matriculating first-year medical students was 9.9.

The University's undergraduate students and applicants have been strongly interested in engineering and science programs (60% of the course work taken by students is in these fields) for many years. The University has traditionally had a highly "self selected" applicant pool. A high percentage of the applicants over the past five years have been admissible and admitted. A history of undergraduate applicants is reported below, along with a measure of their academic strength.

For Academic Year	Applications Received	Admitted Applications	Freshmen Enrolled	Combined SAT Scores of the Middle 50% of Enrolled Freshmen
2001-02	4,663	3,429	738	1260-1420
2000-01	4,751	3,385	837	1260-1440
1999-2000	4,650	3,300	766	1220-1430
1998-99	4,390	3,227	832	1250-1450
1997-98	4,427	3,509	739	1200-1410

The University annually awards degrees at the baccalaureate, master and doctoral level, as shown below for the last five years.

Academic Year	Baccalaureate	Master	M.D. & D.D.S. N.D. & J.D. & E.D.M.	Ph.D.
2000-01	729	1,243	417	196
1999-2000	714	1,251	450	193
1998-99	745	1,413	448	164
1997-98	755	1,334	405	177
1996-97	769	1,224	428	203

While the number of high school graduates is projected to increase through the year 2008, competition among colleges and universities for the top students is expected to remain intense. Although the University believes that stable demand for its educational programs will continue, no assurance can be given that it will do so. A material decrease in the University's enrollment could adversely affect the University's consolidated financial position.

CERTAIN FINANCIAL AND RELATED MATTERS

Summary of Certain Financial Information

The University's financial accounts are maintained in accordance with generally accepted accounting principles employed by institutions of higher education. The University accounts for its financial position and activities which are grouped into three classes of net assets, based on donor restrictions: unrestricted, temporarily restricted and permanently restricted.

Audited consolidated financial statements as of and for the fiscal year ended June 30, 2001 are included in Appendix B to this Offering Circular and should be read in their entirety for more complete information concerning the University's consolidated financial position, changes in net assets and cash flows.

Set forth below are summaries of the University's History of Operations (excluding related entities) for the fiscal years 1996-97, 1997-98, 1998-99, 1999-2000 and 2000-01. Such summaries have been prepared by the University and have not been audited or reviewed by the University's independent accountants.

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HISTORY OF OPERATIONS
(dollars in thousands)

	<u>2000-01</u>	<u>1999-2000</u>	<u>1998-99</u>	<u>1997-98</u>	<u>1996-97</u>
REVENUES					
Tuition and Fees	\$156,672	\$149,033	\$144,416	\$139,990	\$134,176
Endowment	60,338	55,380	45,837	41,466	35,322
Research and Training	152,503	143,936	133,282	128,712	121,629
Gifts and Grants	33,203	30,550	34,136	33,883	34,114
State Support	5,411	5,398	5,290	5,224	5,102
Indirect Cost Recovery	51,615	48,534	45,128	42,657	40,030
Organized Activities	6,450	5,698	4,340	2,478	0
Other Income	14,633	12,334	11,581	10,653	12,666
Auxiliaries	<u>21,346</u>	<u>18,425</u>	<u>30,300</u>	<u>30,184</u>	<u>29,590</u>
TOTAL REVENUES	<u>\$502,171</u>	<u>\$469,288</u>	<u>\$454,310</u>	<u>\$435,247</u>	<u>\$412,629</u>
EXPENDITURES					
Instructional	\$150,584	\$142,947	\$127,780	\$116,774	\$108,952
Research and Training	152,504	143,936	133,282	128,712	121,629
Other Sponsored Programs	15,806	11,385	16,802	17,524	19,117
Libraries	11,816	12,328	11,622	10,932	10,133
Student Services	9,726	9,534	8,927	8,612	8,136
Plant Services	30,506	32,651	31,194	31,793	28,267
Network Services	3,205	2,704	2,105	0	1,977
University Services	34,844	31,262	31,430	30,058	28,279
Student Aid	55,735	50,952	47,449	43,796	42,167
Auxiliary Enterprises	20,620	18,034	29,958	30,026	29,203
Contingencies and Transfers*	<u>0</u>	<u>0</u>	<u>0</u>	<u>7,594</u>	<u>7,831</u>
TOTAL EXPENDITURES	<u>\$485,346</u>	<u>\$455,733</u>	<u>\$440,549</u>	<u>\$425,821</u>	<u>\$405,691</u>
Excess of Revenues Over Expenditures and Transfers	<u>\$16,825</u>	<u>\$13,555</u>	<u>\$13,761</u>	<u>\$9,426</u>	<u>\$6,938</u>
Unrestricted Funds Allocated	\$16,776	\$13,515	\$13,711	\$9,396	\$6,913
Unrestricted Funds Unallocated	\$49	\$40	\$50	\$30	\$25

*Beginning in Fiscal Year 1998-99, "Contingencies & Transfers" are no longer reported as a separate line item.

Tuition and Fees

The following sets forth the tuition and fees (including health fees) charged by the University for each of the most recent five academic years (including the current year):

	<u>2001-02</u>	<u>2000-01</u>	<u>1999-2000</u>	<u>1998-99</u>	<u>1997-98</u>
Tuition:					
Medical*	\$33,735	\$32,130	\$30,600	\$28,600	\$26,475
Dental	29,325	28,030	26,795	25,700	24,800
Management	24,500	22,900	21,900	20,900	20,100
Law	23,300	22,200	21,300	20,500	19,500
Undergraduate and All Other	21,000	20,100	19,200	18,400	17,800
Room & Board	6,250	5,815	5,470	5,240	5,050
Activity Fee					
Undergraduate	168	160	154	148	140

* Effective in 1997-98, Medical School tuition is set at a fixed, four-year rate for each entering class.

The University's total tuition revenue, including admission fees and laboratory fees, for each of the five most recent academic years is set forth below:

<u>Fiscal Year</u>	<u>Total Tuition Revenue</u>
2000-01	\$156,672,000
1999-2000	149,033,000
1998-99	144,416,000
1997-98	139,990,000
1996-97	134,176,000

For the 2000-01 fiscal year, the University met approximately 34% of the costs of its educational and general expenses through tuition.

Student housing, food service and health service operations are self-sustaining auxiliary enterprises.

Unmarried undergraduate students under the age of 21 who do not live with their parents must live in a University residence hall or a University-recognized fraternity or sorority. On-campus housing for graduate and professional students is optional. Accommodations include both single and double rooms. The rates included in the table above are for double rooms. In the fall of 2001, 2,045 of the 2,113 available beds were occupied, for an occupancy rate of 97%. Average occupancy of available beds has been in the 90-95% range for the last five years.

All undergraduate residents in University housing are required to participate in one of the four meal plans offered by the University. Graduate and professional students, whether living on campus or off, may participate in the University meal plans if they desire. The room and board rates in the table above include the Carte Blanche meal plan, providing 15.5 hours of continuous food service per day, seven days a week, at two dining commons.

All students registered for at least one credit hour are required to participate in a plan that entitles the student to use the University Health Service and to coverage under the Student Medical Plan. A student is charged a medical plan fee in addition to tuition and other fees unless the student shows proof of coverage by a comparable insurance plan.

The student activity fee is used to support undergraduate student organizations and activities of a social and recreational nature.

The University reserves the right to make changes in the charges at the beginning of any semester by publication of the new rates for tuition and the activity fee at least three months in advance. Although the University believes that it would be able to raise tuition and fees without adversely affecting its future enrollment, there can be no assurance that it will be able to do so. Future economic and other conditions may affect the University's ability to increase its tuition and fees.

Financial Aid

During the 2000-01 fiscal year, the University spent \$66.0 million in grant assistance to University students to help support educational costs. Approximately 44% of this support was from restricted sources, including the State, the federal government, gifts and scholarship endowment income. The University committed unrestricted endowment income gifts and other funds to make up the balance.

In addition to grant assistance for the 2000-01 fiscal year, the University provided, arranged for or assisted students in obtaining loans of \$63.6 million of which federal sources were \$51.1 million. Undergraduate, graduate and professional students also were provided work opportunities throughout the University and earned \$18.6 million.

There is no assurance that the current level of state and federal support for student financial aid will be maintained in future years. This support comes to the University in three forms -- grants to students based upon

need, research and training support and access to loan funds. Federal and state grant funds are limited in the most part to undergraduates. Any reduction in these funds would be offset by other institutional funds and/or external private funds. Research and training support for graduate and professional students continues to be strong and proposed changes by federal sources are generally known and planned for prior to the affected year.

Budgeting and Financial Management

Academic programming and planning, budgeting and financial management are conducted within a decentralized structure of nine management centers. These include the College of Arts and Sciences, the Case School of Engineering, the University's six professional schools and University General.

Financial planning begins in the fall each year with a review of institutional and school priorities. During this period, program priorities of the Schools and the University are evaluated in context with financial assumptions about tuition rates, inflation, endowment yields and related issues.

The formal budgeting process for the succeeding fiscal year begins in the previous winter. The Budget Office, working with senior administrative officers and management center deans, makes estimates of enrollment and major income and expense categories. Recommended tuition and room and board rates are developed, reviewed with the Faculty Senate Budget Committee and then recommended for approval by the Trustee Finance Committee and then by the Board in December. Other University guidelines are developed centrally, including salary increases, fringe benefit rates and usable endowment income. These guidelines are transmitted to the deans and administrative officers who prepare detailed budgets for their areas of responsibility. These are collected and consolidated into a rolling two-year University budget by the Budget Office, reviewed by the senior administrative officers, revised where necessary, and submitted for approval to the Trustee Finance Committee and the Board at its May meeting.

General fiscal control is exercised on a daily basis through the Controller. At the end of each quarter, each dean and each responsible administrative officer prepares a budget forecast. These forecasts are assembled by the Budget Office and reviewed with administrative officers. Corrective action is taken with each dean or responsible administrator as may be appropriate to ensure that the University operates within budget limits and/or available income. The University Administration reports quarterly to the Board on the status of performance against budget.

Gifts, Grants and Bequests

The Campaign for Case Western Reserve University was publicly launched in 1989 with a goal of \$350 million for additions to the endowment and for operating and capital purposes. The campaign was completed in July 1994 with a total attainment of \$416.5 million. Since the end of the 1989-94 campaign, the University has embarked on several specific campaigns, including drives for the College of Arts and Sciences, the Peter Lewis Campus of the Weatherhead School of Management, the Case School of Engineering, and the School of Medicine.

The University achieved a record of \$202.6 million in new gifts and pledge commitments during the year ending June 30, 2001, including major gifts-in-kind. Of this total, the University received a record \$180.9 million in cash and cash equivalent gifts, with all-time highs for gifts to the annual fund and support from foundations. The schools of Medicine, Management and the College of Arts and Sciences also set new records for gifts and pledge commitments.

In addition, during fiscal year 2000-01, the University was awarded over \$246.7 million in research, training and career grants from various funding sources, principally the National Institutes of Health (\$170.6 million). Support from industry totaled \$8.1 million, foundations and associations contributed \$21.4 million, other federal agencies made grants of \$36.7 million and state/other non-federal government sources totaled \$7.2 million.

University Endowment Assets

The total market value of the University's endowment assets (including Case Alumni Association's net assets, which support the Case School of Engineering and Applied Sciences at the University and Enterprise Development, Inc.) as of June 30, 2001 was \$1,434.0 million. This includes the pooled endowment of \$990.7

million, funds held in trust of \$310.8 million, unpooled endowment of \$61.8 million, Case Alumni Association and Enterprise Development net assets of \$40.7 million and net deferred gifts of \$30.0 million. In accordance with the net asset reporting requirements of Statement of Financial Accounting Standards Nos. 116 and 117, unrestricted, temporarily restricted and permanently restricted net assets totaled \$706.7 million, \$10.7 million and \$716.6 million, respectively.

The market value of the University's endowment assets (including Case Alumni Association's net assets) as of June 30 for the fiscal years ended 1997 through 2001 were:

Fiscal Year Ended <u>June 30</u>	Market Value <u>(\$ millions)</u>
2001	\$1,434.0
2000	1,550.6
1999	1,434.3
1998	1,328.9
1997	1,157.6

Endowment Spending Policy

Distributions of the University's endowment assets are governed by a combination of spending policies covering the various endowment components. Distributions from the pooled endowment (which represents approximately 69% of the total endowment) are governed by a policy that caps spending at 5.5% of the trailing four-year average market value of the fund. Distributions from funds held in trust (which represents approximately 22% of the total endowment) are based on the income and dividend interest generated by those trusts. All other endowments (which represent approximately 9% of the total endowment) are governed by a variety of market value-based spending policies established primarily by the donors. Further, due to various donor restrictions on how endowments may be spent, all endowment distributions are not necessarily used in the year that they are distributed. Such unused distributions are carried in designated operating funds until such time that the restrictions are met. The table below presents endowment distributions and amounts used as a percentage of the beginning market value (BMV) of the University's total endowment for the respective year.

Fiscal Year Ended <u>June 30</u>	Total <u>\$ Millions</u>	Distributions <u>% of BMV</u>	Total <u>\$ Millions</u>	Used <u>% of BMV</u>
2001	\$66.8	4.31%	\$60.3	3.89%
2000	64.0	4.46%	55.4	3.86%
1999	48.9	3.68%	45.8	3.45%
1998	42.5	3.67%	41.5	3.59%
1997	42.3	4.26%	35.3	3.56%

Outstanding Indebtedness

The total outstanding indebtedness of the University as of June 30, 2001 was approximately \$199.6 million, of which approximately \$3.85 million consisted of low-interest loans from the federal government for construction of student housing and food service facilities. Total actual debt service of the University for the 2000-01 fiscal year was approximately \$23.1 million.

The following table sets forth the total outstanding indebtedness of the University as of June 30, 2001.

Secured Indebtedness (External Borrowings)			
	Final Maturity (Fiscal Year)	Interest Rates (%)	Outstanding Indebtedness Amount
OHEFC Bonds	2023	4.25 to 7.90	\$151,667,292
Dormitory Bonds ¹	2016	3.00 to 3.50	3,850,000
Ohio Board of Regents	2006	0.0	1,062,500
OHEFC Commercial Paper	2030	2.60 to 3.20	<u>43,000,000</u>
Total Indebtedness			<u>\$199,579,792</u>

(1) Issued to the United States Department of Housing and Urban Development ("HUD Bonds") and secured by mortgages on the facilities financed and in certain instances by a pledge of revenue of such facilities, including room and board charges.

The following table sets forth debt service requirements for the University's outstanding indebtedness, including outstanding State of Ohio Higher Educational Facility Commission Bonds, for the fiscal years 2002 through 2023, but excluding the Bonds.

Fiscal Year Ending <u>June 30</u>	<u>Principal and Interest Payments</u>			
	<u>HUD Bonds</u>	<u>OHEFC Debt¹</u>	<u>Board of Regents Loan</u>	<u>Total</u>
2002	\$484,775	\$12,749,271	\$212,500	\$13,466,546
2003	387,500	12,574,591	212,500	13,174,591
2004	323,425	12,680,766	212,500	13,216,691
2005	321,200	12,118,952	212,500	12,652,652
2006	323,725	11,336,592	212,500	11,872,817
2007	326,075	11,426,679		11,752,754
2008	323,050	11,522,459		11,845,509
2009	314,950	9,924,659		10,239,609
2010	326,675	12,699,121		13,025,796
2011	317,725	12,785,986		13,103,711
2012	323,900	12,903,936		13,227,836
2013	265,775	12,976,271		13,242,046
2014	214,125	13,063,457		13,277,582
2015	213,275	10,147,054		10,360,329
2016	212,275	10,020,819		10,233,094
2017	71,050	9,696,478		9,767,528
2018		9,955,277		9,955,277
2019		8,590,891		8,590,891
2020		3,572,012		3,572,012
2021		3,675,944		3,675,944
2022		2,306,654		2,306,654
2023		<u>3,368,029</u>		<u>3,368,029</u>
TOTAL	<u>\$4,749,500</u>	<u>\$220,095,898</u>	<u>\$1,062,500</u>	<u>\$225,927,898</u>

(1) Includes the debt service on the bonds and excludes the debt service on the refunded bonds. Where applicable, debt service on bonds reflects the mandatory sinking fund redemptions of the bonds and assumes an interest rate equal to the fixed rate provided for in the floating-to-fixed interest rate swap entered into in

connection with the Bonds less the estimated trading differential of the Bonds to the Bond Market Association Municipal Swap Index.

Note: Not included in above schedule of Principal and Interest Payments are State of Ohio Tax Exempt Commercial Paper notes in the maximum authorized amount of \$63,000,000, all of which has been issued and is currently outstanding. The notes were first issued February 16, 2000 in the aggregate principal amount of \$43,000,000 and additional notes in the aggregate principal amount of \$20,000,000 were issued on April 3, 2002. The final maturity is February 1, 2030. Interest is paid as the notes are rolled over. Rates on outstanding notes at June 30, 2001 ranged from 2.6 to 3.2 %. Maturities can be up to 270 days from date of issuance.

Contingent Liabilities

The University has no known material contingent liabilities or unrecorded commitments.

APPENDIX B

CASE WESTERN RESERVE UNIVERSITY FINANCIAL STATEMENTS

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**Case Western Reserve University
Consolidated Financial Statements for the Year Ending June 30, 2001**

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Report of Independent Accountants

To the Board of Trustees
Case Western Reserve University:

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of activities and cash flows present fairly, in all material respects, the consolidated financial position of Case Western Reserve University and its associated entities (the "University") as of June 30, 2001, and the consolidated changes in their net assets and their cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the University's management; our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the University's 2000 financial statements; and in our report dated September 28, 2000, we expressed an unqualified opinion on those financial statements. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for the opinion expressed above.

PricewaterhouseCoopers LLP

September 27, 2001

CASE WESTERN RESERVE UNIVERSITY**Consolidated Balance Sheet****June 30, 2001***(with summarized financial information as of June 30, 2000)*

(in thousands)

	<u>June 30, 2001</u>	<u>June 30, 2000</u>
Assets		
Cash and temporary investments	\$ 164,866	\$ 143,480
Accounts and loans receivable, net	110,514	124,312
Securities pledged under lending agreements	128,179	116,525
Pledges receivable, net	82,692	84,721
Prepaid expenses and other assets	3,918	4,330
Investments	1,198,260	1,280,509
Property, plant, equipment and books, net	437,092	413,251
Funds held in trust by others	310,830	360,242
Total assets	<u>\$ 2,436,351</u>	<u>\$ 2,527,370</u>
Liabilities		
Accounts payable and accrued expenses	\$ 52,607	\$ 53,645
Deferred income and deposits	25,822	24,569
Payable under securities lending agreements	130,584	120,592
Annuities payable	35,882	36,803
Refundable advances	7,378	6,481
Bonds and notes payable	199,580	194,014
Refundable federal student loans	19,403	18,723
Total liabilities	<u>471,256</u>	<u>454,827</u>
Net Assets		
Unrestricted	1,122,405	1,206,980
Temporarily restricted	58,374	58,973
Permanently restricted	784,316	806,590
Total net assets	<u>1,965,095</u>	<u>2,072,543</u>
Total liabilities and net assets	<u>\$ 2,436,351</u>	<u>\$ 2,527,370</u>

The accompanying notes are an integral part of the consolidated financial statements.

CASE WESTERN RESERVE UNIVERSITY
Consolidated Statement of Activities
For the Year Ended June 30, 2001

(with summarized financial information for the year ended June 30, 2000)

(in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	June 30, 2001	June 30, 2000
Operating revenues					
Student tuition and fees	\$ 156,672			\$ 156,672	\$ 149,033
Less: Student aid	(55,495)			(55,495)	(50,982)
	<u>101,177</u>			<u>101,177</u>	<u>98,051</u>
Endowment income	60,110	\$ 6	\$ 222	60,338	54,903
Grants and contracts	179,949	488		180,437	167,284
Gifts and pledges	15,042	20,918	22,041	58,001	62,941
State of Ohio appropriation	5,411			5,411	5,398
Facilities and administrative cost recovery	51,628			51,628	48,536
Organized activities	6,450			6,450	5,698
Other sources	15,103			15,103	14,104
Auxiliary services	21,346			21,346	18,124
Net assets released from restrictions	21,854	(21,832)	(22)	-	-
Total operating revenues	<u>478,070</u>	<u>(420)</u>	<u>22,241</u>	<u>499,891</u>	<u>475,039</u>
Operating expenses					
Instructional	156,757			156,757	153,928
Sponsored research and training	166,020			166,020	156,374
Other sponsored projects	21,778			21,778	17,305
Libraries	17,941			17,941	15,160
Student services	14,520			14,520	13,800
University services	65,247			65,247	63,401
Auxiliary enterprises - students	23,523			23,523	18,675
Auxiliary enterprises - other	5,921			5,921	3,027
Total operating expenses	<u>471,707</u>	<u>-</u>	<u>-</u>	<u>471,707</u>	<u>441,670</u>
Net operating revenues	<u>6,363</u>	<u>(420)</u>	<u>22,241</u>	<u>28,184</u>	<u>33,369</u>
Non-operating revenues and expenses					
Investment and other income	20,295	1,221	(36,603)	(15,087)	64,446
Net unrealized (depreciation) appreciation in the fair market value of investments	(109,497)	(1,249)	(7,193)	(117,939)	33,307
Actuarial adjustment to annuities payable	(968)	(151)	(719)	(1,838)	(1,962)
Loss on disposal of equipment	(768)			(768)	(4,815)
Non-operating revenues, net	<u>(90,938)</u>	<u>(179)</u>	<u>(44,515)</u>	<u>(135,632)</u>	<u>90,976</u>
(Decrease) increase in net assets	<u>(84,575)</u>	<u>(599)</u>	<u>(22,274)</u>	<u>(107,448)</u>	<u>124,345</u>
Beginning net assets	<u>1,206,980</u>	<u>58,973</u>	<u>806,590</u>	<u>2,072,543</u>	<u>1,948,198</u>
Ending net assets	<u>\$ 1,122,405</u>	<u>\$ 58,374</u>	<u>\$ 784,316</u>	<u>\$ 1,965,095</u>	<u>\$ 2,072,543</u>

The accompanying notes are an integral part of the consolidated financial statements.

CASE WESTERN RESERVE UNIVERSITY**Consolidated Statement of Cash Flows****For the Year Ended June 30, 2001***(with summarized financial information for the year ended June 30, 2000)*

(in thousands)

	<u>June 30, 2001</u>	<u>June 30, 2000</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Total change in net assets	\$ (107,448)	\$ 124,345
<i>Adjustments to reconcile change in net assets to net cash provided by operating activities:</i>		
Depreciation and amortization	26,681	22,383
Net unrealized depreciation (appreciation) in the fair market value of investments	117,939	(33,307)
Net realized (gains) losses on investments	(21,209)	43,987
Increase to annuities payable resulting from actuarial adjustments	1,838	1,962
Gifts of property and equipment	(2,207)	(108)
Loss on disposal of equipment	768	4,815
Contributions restricted for long-term investment	(18,639)	(11,591)
Decrease (increase) in accounts receivable, net	14,241	(14,059)
Decrease (increase) in pledges receivable, net	2,029	(14,660)
Decrease in prepaid expenses and other assets	412	560
Decrease (increase) in funds held in trust by others	49,412	(5,227)
Decrease (increase) in accounts payable and accrued expenses	(1,038)	7,953
Increase in deferred income and deposits	1,253	3,044
Increase in refundable advances	897	812
Net cash provided by operating activities	<u>64,929</u>	<u>130,909</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Student loans collected	6,068	5,477
Student loans issued	(6,511)	(4,482)
Proceeds from the sale of investments	1,120,675	3,049,138
Purchase of investments	(1,135,156)	(3,194,444)
Purchase of property, plant, equipment and books	(49,083)	(30,660)
Net cash used for used for investing activities	<u>(64,007)</u>	<u>(174,971)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in federal advances for student loans	680	304
Increase in securities pledged under lending agreements	(11,654)	(54,000)
Increase in payables under securities lending agreements	9,992	56,000
Contributions restricted for long-term investment	18,639	11,591
Proceeds from bond issues and long-term debt	19,600	43,000
Repayment of debt	(14,034)	(4,317)
Payments on annuities payable	(4,664)	(4,099)
Increase to annuities payable resulting from new gifts	1,905	3,244
Net cash provided by financing activities	<u>20,464</u>	<u>51,723</u>
Net increase in cash and temporary investments	21,386	7,661
Cash and temporary investments, beginning of year	143,480	135,819
Cash and temporary investments, end of year	<u>\$ 164,866</u>	<u>\$ 143,480</u>

The accompanying notes are an integral part of the consolidated financial statements.

Part 2 – Summary of Significant Accounting Policies and Terms

This part explains the accounting practices the University uses in its consolidated financial statements.

Basis of Accounting Presentation

The consolidated financial statements use the accrual basis of accounting. These statements include the accounts of the University, the Case Alumni Association, and Enterprise Development, Inc.

The Case Alumni Association is an independent, not-for-profit entity engaged in activities that provide support and service to both the Case School of Engineering and programs in the applied sciences. Enterprise Development, Inc., is a wholly owned subsidiary of the University organized to foster the growth of promising businesses and to improve Northeast Ohio's entrepreneurial climate.

Net Asset Categories

The consolidated financial statements present information about the University's financial position and activities using three categories of net assets:

- **Unrestricted net assets** have no donor-imposed restrictions. They are available for any purpose consistent with the University's mission.
- **Temporarily restricted net assets** are subject to specific donor-imposed restrictions that must be met by University actions or through the passage of time.
- **Permanently restricted net assets** are subject to donor-imposed restrictions that the University must honor in perpetuity. Usually, donors allow part or all of the income to be used for a designated purpose.

Cash and Temporary Investments

Investments with a maturity of three months or less when purchased are reported as temporary investments (i.e., cash equivalents) unless they are part of long-term investment pools.

Investments

Investments are recorded at fair market value. Fair market values for private equity and real estate investments in limited partnerships or commingled funds, are estimated by their external investment managers. The University reviews the assumptions and methods used in these estimated valuations. Since limited partnership investments are not readily marketable, these estimates may differ from the value that would have been used had a ready market been available. Such differences could be material. Realized gains and losses on investments are included in investment income. Average cost is generally used to determine gains or losses on securities sold. Unrealized changes in the fair market value of investments are shown as net unrealized appreciation or depreciation.

Contributions	Contributions (including unconditional pledges) are recognized as either temporarily restricted or permanently restricted net assets when donors' commitments are received. Conditional pledges become revenue when the conditions are substantially met. Gifts whose restrictions are met and which are received in the same fiscal year are reported with unrestricted contribution revenues.
Grants and Contracts (Government and Private)	Revenues from government and private grants and contracts are recognized in accordance with the terms of the contract. Any government revenue received before it is expended is recorded as a refundable advance. Expenses incurred for government grants before revenue is received are recorded as receivables.
Collections	The University's collections of historically significant artifacts, scientific specimens, and art objects are held for education, research, scientific inquiry, and public exhibition. Therefore, their value is not reflected in the University's consolidated financial statements.
Funds Held in Trust by Others	Funds held in trust by others are assets held and administered by outside trustees from which the University derives income or residual interest. Funds held in trust by others are reported at their market value as of June 30, 2001, which approximates the present value of the future income flows from these funds.
Allocation of Certain Expenses	The consolidated statement of activities presents expenses by function. Some expenses — such as depreciation, amortization, and expenses related to the operation of the physical plant — are allocated by square footage. Interest expense is allocated to the functions that derive the greatest benefit.
Use of Estimates	Financial statements using accounting principles generally accepted in the United States of America rely on estimates. At June 30, management makes certain estimates and assumptions, which affect assets and liabilities, disclosures of contingent assets and liabilities, and reported revenues and expenses during the period. Actual results may differ from these estimates.
Accounting Change (in thousands)	<p>The University adopted two accounting standards on July 1, 2000. Statement of Financial Accounting Standard (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities" requires that an entity recognize all derivatives as either assets or liabilities in the balance sheet, and measure those instruments at fair value. The adoption of SFAS No. 133 does not have a material effect on the University's consolidated balance sheet, or the related consolidated statements of activities or cash flows.</p> <p>The University also adopted SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." As discussed in Note C, the University has a securities lending agreement for the purpose of lending securities held or beneficially owned by the University, and has made the following reclassifications at June 30, 2000 related to that agreement:</p>

Accounting Change (in thousands) (continued)	(in thousands)	Balance at June 30, 2000 as previously reported	Reclassifica- tions, as discussed above	Balance at June 30, 2000
Cash and temporary investments		\$ 22,888	\$ 120,592	\$ 143,480
Securities pledged under lending agreements		-0-	116,525	116,525
Investments		1,397,034	(116,525)	1,280,509
Payable under securities lending agreements		-0-	120,592	120,592

Comparative Information | The consolidated financial statements include prior year summarized comparative information in total, but not by net asset category. Such information does not include enough detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the University's consolidated financial statements for the year ending June 30, 2000, from which it was derived. For comparative purposes, certain reclassifications have been made to the summarized information.

Income Taxes | The University is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is made in the consolidated financial statements.

Part 3 – Notes

These notes clarify and amplify data in the consolidated financial statements. Unless otherwise indicated, all dollar values are listed in thousands as of June 30.

NOTE A
Accounts and
Loans
Receivable

Accounts and loans receivable are as follows:

	<u>2001</u>	<u>2000</u>
Accounts receivable, net:		
Grants, contracts and others	\$ 56,821	\$ 68,663
Students	11,850	12,226
Student loans, net	<u>41,843</u>	<u>43,423</u>
	<u>\$ 110,514</u>	<u>\$ 124,312</u>
Allowances for doubtful accounts:		
Accounts receivable	\$ 1,848	\$ 1,868
Loans receivable	\$ 2,022	\$ 1,926

NOTE B
Pledges
Receivable

Unconditional pledges are expected to be realized in the following periods:

	<u>2001</u>	<u>2000</u>
In one year or less	\$ 58,770	\$ 43,046
Between one year and five years	34,002	55,152
More than five years	<u>3,492</u>	<u>2,947</u>
	96,264	101,145
Less: discount of \$4,726 and allowance of \$8,846	(13,572)	
Less: discount of \$7,314 and allowance of \$9,110		(16,424)
	<u>\$ 82,692</u>	<u>\$ 84,721</u>

Pledges receivable have been made for the following purposes:

	<u>2001</u>	<u>2000</u>
Department programs and activities	\$ 26,708	\$ 24,046
Endowments for scholarships and department programs and activities	27,898	31,531
Building construction	<u>28,086</u>	<u>29,144</u>
	<u>\$ 82,692</u>	<u>\$ 84,721</u>

NOTE C
Investments

Investments (except funds held in trust by others) are as follows:

	2001	
	Fair Market Value	Cost
Short-term investments	\$ 80,056	\$ 80,056
Domestic stocks	388,649	349,053
International securities	142,576	141,893
Bonds		
United States government	82,534	79,406
Corporate	171,673	173,175
Mutual funds	99,680	102,079
Limited partnerships and other	203,816	194,194
Equity real estate	29,276	24,673
Total	<u>\$ 1,198,260</u>	<u>\$ 1,144,529</u>

	2000	
	Fair Market Value	Cost
Short-term investments	\$ 90,165	\$ 90,165
Domestic stocks	500,320	390,860
International securities	173,337	143,934
Bonds		
United States government	35,112	34,918
Corporate	196,093	200,423
Mutual funds	143,963	135,115
Limited partnerships and other	108,332	83,920
Equity real estate	33,187	29,504
Total	<u>\$ 1,280,509</u>	<u>\$ 1,108,839</u>

The University's **spending policy** determines the amount of endowment income to be used as operating revenue and distributed for spending during the year. Distributions in excess or deficit of amounts actually earned are transferred to or from the endowment pool, honoring any donor restrictions. The fiscal 2001 endowment and similar funds distribution of \$1.84 per unit totaled \$48,437, of which \$25,954 was accumulated realized gains. For fiscal 2000, the distribution of \$1.74 per unit totaled \$44,730, of which \$18,340 was accumulated realized gains.

Certain endowment and similar fund assets are pooled for efficient investment purposes. The unit market value for each pool is used to account for **pooled transactions**. The unit market values are \$36.83 (2001) and \$40.00 (2000).

Investments in stocks, bonds, mutual funds, and other investments are exposed to a variety of uncertainties, including interest rate, market fluctuation, and credit risks. Due to the **level of risk** associated with certain investments, the value of these investments could change. Such changes could materially affect the amounts reported in the consolidated financial statements.

NOTE C
Investments
(continued)

Investment strategies employed by outside managers incorporate the use of financial instruments with off-balance sheet risk. These financial instruments include international investment funds with underlying equity interests as well as forward and futures contracts that are subject to foreign currency translation gains and losses. Management does not anticipate that losses, if any, resulting from its market or credit risks would materially affect the consolidated financial position of the University.

The University is obligated under certain limited partnerships and similar agreements to provide future funding for further investment. The University had **unfunded commitments** of approximately \$137,421 (2001) and \$64,472 (2000) that are likely to be called in the future.

The University has a **securities lending** agency agreement for the purpose of lending securities held or beneficially owned by the University. Under this agreement, the University's agent receives collateral in the form of cash, U.S. government securities or bank letters of credit in exchange for loaning securities to approved borrowers. The agent invests these funds on behalf of the University until the securities are returned. The amount of collateral required for securities traded principally in the United States is equal to 102% of the market value of the securities borrowed. For securities traded principally outside the United States, the amount of collateral required is 105%. The fair value of securities on loan is \$128,179 (2001) and \$116,525 (2000). The fair value of collateral received is \$130,584 (2001) and \$120,592 (2000).

NOTE D
**Property,
 Plant,
 Equipment,
 and Books**

Property, plant, equipment, and library books are stated at cost, less accumulated depreciation. Depreciation is computed on the straight-line method over the estimated useful life of 28 years for buildings, 12 years for equipment, and 10 years for books.

Components of property, plant, equipment, and books are as follows:

	2001	2000
Land and land improvements	\$ 28,430	\$ 23,138
Building and building improvements	486,724	472,943
Equipment	113,049	99,978
Library books	24,209	23,058
Construction-in-progress	82,725	65,508
	<u>735,137</u>	<u>684,625</u>
Less: accumulated depreciation	<u>(298,045)</u>	<u>(271,374)</u>
	<u>\$ 437,092</u>	<u>\$ 413,251</u>

The above assets include \$133,686 leased from the Ohio Higher Education Facility Commission (OHEFC). The University may purchase each of the leased assets for a nominal amount at the end of the lease period. Therefore, these assets have been capitalized and are included in the above listing. Also included in the University's consolidated financial statements is the obligation for related bonds issued by the OHEFC.

NOTE E
Bonds and
Notes Payable

Bonds and notes payable are as follows:

	Interest	Maturity	2001	2000
Ohio Higher Education Facilities Commission revenue bonds and notes:				
Series 1988	7.85 - 7.90%	2009-2013	\$ 14,586	\$ 13,501
Series 1990	6.50 - 7.15%	2003-2020	12,071	20,843
Series 1992	5.00 - 6.00%	2000-2022	23,805	25,480
Series 1994	6.00 - 6.25%	2014-2018	20,000	20,000
Series 1997	4.25 - 6.50%	2000-2018	21,560	23,295
Series 1997	4.50 - 5.50%	2000-2017	28,175	29,965
Series 1997	4.75 - 6.25%	2000-2014	11,870	12,445
Series 2001	Variable	2001-2022	19,600	-0-
United States government housing bonds:				
Series 1966	3.00 - 3.50%	2002-2016	1,940	2,185
Series 1971	3.00 - 3.50%	2010-2012	1,910	2,025
Ohio Board of Regents	-n/a-	2006	1,063	1,275
Ohio Higher Education Facilities Commission commercial paper	-Various-	-Various-	43,000	43,000
			<u>\$199,580</u>	<u>\$194,014</u>

The housing bonds are collateralized by securities and pledges of net revenues from the University's student housing and dining facilities.

The Ohio Higher Education Facility Commission (OHEFC) authorized a tax-exempt commercial paper program in February 2000 to provide construction funds for several approved capital projects and to refinance earlier projects. The program authorizes the University to issue up to \$63,000 for as long as 30 years. As of June 30, 2001, \$43,000 is outstanding, with maturities not exceeding 270 days from the issuance date. Nominal interest rates averaged 3.92% (2001) and 4.26% (2000).

In February 2001, the University issued revenue refunding bonds in the amount of \$19,600 through the OHEFC. The proceeds from this issue were used to refund a portion of the Series 1992 bonds. Interest rates on the new debt are variable. The University has entered into a master swap agreement with a financial institution, which effectively fixes the interest rate for this borrowing at 4.34%.

Principal payment requirements for bonds, notes, and capital lease obligations for the next five years, excluding commercial paper, are approximately as follows:

2002 —	\$ 6,918
2003 —	\$ 25,063
2004 —	\$ 7,360
2005 —	\$ 7,155
2006 —	\$ 6,724

NOTE E
Bonds and
Notes Payable
(continued)

Interest payments for fiscal year 2001 were \$9,064.
 Certain borrowing agreements require the University to maintain reserves as additional collateral against its borrowings.

NOTE F
Fair Value of
Investments

The University's consolidated financial instruments consist principally of cash, temporary investments, accounts and pledges receivable, loans receivable, and long-term investments, as well as obligations under bonds and notes payable. Cash and temporary investments, pledges receivable, investments and other assets are recorded at approximate fair value.

Loans receivable are amounts due from students primarily under federally sponsored programs. Since notes receivable under federal student loan programs are not saleable and can be assigned only to the U.S. government or its designee, it is not practical to determine their fair value.

The fair value of the University's bonds and notes payable is approximately \$208,085 (2001) and \$187,889 (2000). These values were estimated utilizing the discounted future cash outflows at rates for similar debt.

NOTE G
Retirement
Plans

The funded status of the University's defined benefit plan is as follows:

	2001	2000
Benefit obligation	\$ 47,162	\$ 41,488
Fair value of plan assets	49,938	51,751
Funded status	<u>\$ 2,776</u>	<u>\$ 10,263</u>
Accrued benefit cost recognized in the balance sheet	\$ 9,503	\$ 9,222

Weighted-average assumptions for the defined benefit plan are as follows:

	2001	2000
Discount rate	7.25%	7.75%
Expected return on plan assets	8.50%	8.50%
Rate of compensation increase	5.00%	5.00%

Benefit plan costs for the defined benefit and defined contribution plans are as follows:

	2001	2000
Defined benefit plan:		
Benefit cost	\$ 280	\$ 792
Benefits paid	2,138	2,043
Defined contribution plan:		
Employer contribution	14,091	13,606

**NOTE H
Commitments
and
Contingencies**

In its normal operations, the University is subject to various claims and lawsuits. In management's opinion, the resolution of these contingencies will not have a significant adverse effect on the University's consolidated financial position, operations, or cash flows.

The University is self-insured for student medical coverage and maintains stop loss coverage. Property is commercially insured with an aggregate deductible of \$700 (2001) and \$650 (2000). The University also carries general liability insurance with a deductible of \$100 per occurrence. The University believes its reserves for self-insured risks and the deductible portion of insured risks are sufficient.

**NOTE I
Related Party
Transaction
(Utilities)**

In 1998, the University entered into a thirty-year agreement with the Medical Center Company (a cooperative utility company formed by and serving institutions in the University Circle area) to purchase chilled water and other utilities for several University buildings. The amount purchased during fiscal 2001 was \$7,639. No obligation associated with this agreement is recorded in the accompanying financial statements.

**NOTE J
Derivatives
and Other
Financial
Instruments**

The University has only limited involvement with derivative financial instruments and does not use them for trading purposes. In February 2001, the University entered into a long-term interest rate swap agreement with a notional amount of \$19,600. This agreement effectively fixes the interest rate on the OHEFC Series 2001 variable rate bond issue at 4.34% through October 1, 2022 (see Note E). The University selected the combination of a variable rate bond issue and a thirty-year interest rate swap agreement to obtain fixed rate financing at the lowest available cost. The fair market value of this agreement is recorded as a liability of \$206. The University records changes in the fair market value of derivative instruments in non-operating revenues and expenses as investment and other income.

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APPENDIX C

CERTAIN DEFINED TERMS AND SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENTS, THE LEASES AND THE TAX AGREEMENTS

The following are summaries of the Series A Trust Agreement, Series B Trust Agreement, Series A Lease, Series B Lease, Series A Tax Agreement and Series B Tax Agreement. The Series A Trust Agreement and the Series B Trust Agreement are referred to in this Appendix C collectively as, the “Trust Agreements.” The Series A Lease and the Series B Lease are referred to in this Appendix C collectively as, the “Leases”. The Series A Tax Agreement and the Series B Tax Agreement are referred to in this Appendix C collectively as, the “Tax Agreements.” These summaries do not purport to set forth all of the provisions of such documents, to which reference is made for the complete and actual terms thereof.

Certain terms used in the Trust Agreements, the Leases and the Tax Agreements are defined below unless otherwise defined herein or the context clearly indicates otherwise. When and if such terms are used in this Offering Circular they shall have the meanings set forth below. Any capitalized term used in this Offering Circular regarding the Trust Agreements, the Leases and the Tax Agreements and not defined herein shall have the meaning given such term by the Trust Agreements, the Leases and the Tax Agreements.

“**Act**” means Chapter 3377 and Sections 9.98 to 9.983 of the Revised Code.

“**Alternate Liquidity Facility**” means a Liquidity Facility provided in accordance with the Series A Lease and the Series A Trust Agreement (other than the Initial Liquidity Facility), including, without limitation, a standby bond purchase agreement, a line of credit or a letter of credit of a bank or another instrument from a financial institution, or a combination thereof, that provides for the purchase price of the Series A Bonds delivered or deemed delivered in accordance with the Series A Trust Agreement.

“**Applicable Rate**” means, as the context requires, the Commercial Paper, Dutch Auction, Daily, Weekly or Term Rate applicable from time to time to the Series A Bonds.

“**Assignments**” means, collectively, the Series A Assignment and the Series B Assignment.

“**Auction Period**” means, during a Dutch Auction Rate Period, the period from and including the last Interest Payment Date for the immediately preceding Auction Period, Daily Rate Period, Weekly Rate Period, Commercial Paper Rate Period or Term Rate Period, as the case may be, to and including the earliest of (a) the day next preceding the last Interest Payment Date in respect of each Auction Period and (b) the last day of such Dutch Auction Rate Period.

“**Authenticating Agent**” means the Trustee and the Registrar and any other bank, trust company or Person designated as an Authenticating Agent for the Bonds by or in accordance with Section 6.13 of the Trust Agreements, each of which shall be a transfer agent registered in accordance with Section 17A(c) of the Securities Exchange Act of 1934, as amended.

“**Authorized Denomination**” shall mean:

- (1) with regard to the Series A Bonds: (i) \$5,000 or any integral multiple thereof while a Series A Bond bears interest at a Term Rate, (ii) \$100,000 plus any integral multiple of \$5,000 while a Series A Bond bears interest at a Weekly Rate or a Daily Rate, (iii) \$100,000 plus any integral multiple of \$1,000 while a Series A Bond bears interest at a Commercial Paper Rate and (iv) \$25,000 or any integral multiple thereof while a Series A Bond bears interest at a Dutch Auction Rate.
- (2) with regard to the Series B Bonds denominations of \$5,000 or any integral multiple thereof.

“**Automatic Termination Event**” means those events as described in the Liquidity Facility that permits the Liquidity Provider to immediately terminate its obligation to provide funds to purchase Series A Bonds without notice or other condition.

“**Bank Bonds**” means Series A Bonds (or beneficial interests therein) purchased with moneys provided pursuant to the Liquidity Facility and the provisions of the Series A Trust Agreement described in this Offering Circular under the heading “Description of the Series A Bonds - Payment of Purchase Price” but excluding Series A Bonds no longer to be considered Bank Bonds pursuant to the Liquidity Facility.

“**Base Leases**” means, collectively, the Series A Base Lease and the Series B Base Lease.

“**Bond Counsel**” means any attorney or firm of attorneys of nationally recognized standing on the subject of municipal bonds acceptable to the Commission.

“**Bond Documents**” means, as applicable, the Base Leases, the Leases, the Guaranties, the Tax Agreements, the Assignments, the Trust Agreements, the Remarketing Agreement, the Bond Purchase Agreements and, only with respect to the Series B Bonds, the Continuing Disclosure Agreement.

“**Bond Legislation**” means the resolution adopted by the Commission providing for the issuance of the Bonds and approving the Base Leases, the Leases, the Trust Agreements, the Assignments, the Bond Purchase Agreements, the Remarketing Agreement and related matters, as that resolution may from time to time be amended or supplemented.

“**Bond Market Association Municipal Swap Index**” means, as of any date, the seven-day high-grade market index of tax-exempt variable rate demand obligations, as produced by Municipal Market Data or any successor thereto and published or made available by The Bond Market Association, or any person acting in cooperation with or under the sponsorship of The Bond Market Association, or, if such index is unavailable, then such other publicly available index or measurement of seven-day yields on high-grade tax-exempt variable-rate demand obligations selected by the University and agreed to by the Remarketing Agent.

“**Bond Purchase Agreements**” means, collectively, the Series A Bond Purchase Agreement and the Series B Bond Purchase Agreement.

“**Bond Service Charges**” means, for any period or payable at any time, the principal of (whether on an Interest Payment Date, at stated maturity, by mandatory sinking fund redemption, if any, by acceleration or otherwise) and premium, if any, and interest on the Bonds (including Bank Bonds) for that period or due and payable at that time as the case may be.

“**Bonds**” or “**Bond**” means, collectively, the \$100,000,000 State of Ohio Higher Educational Facility Revenue Bonds (Case Western Reserve University 2002 Project) Series A and Series B, issued by the Commission pursuant to the Trust Agreements and including Bank Bonds.

“**Book entry form**” or “**book entry system**” means, with respect to the Bonds, a form or system, as applicable, under which (i) the ownership of beneficial interests in Bonds and Bond Service Charges may be transferred only through a book entry and (ii) physical Bond certificates in fully registered form are registered only in the name of a Depository or its nominee as Holder, with the physical Bond certificates “immobilized” in the custody of the Depository. The book entry system is maintained by and is the responsibility of the Depository and not the Commission or the Trustee. The book entry is the record that identifies, and records the transfer of the interests of, the owners of beneficial (book entry) interests in the Bonds.

“**Business Day**” means any day other than (i) a Saturday or a Sunday, (ii) a day on which banking institutions in the city or cities in which the designated offices of the Trustee, the Paying Agent, Liquidity Facility Provider, if applicable, or the Remarketing Agent are required or authorized to close by law (including without limitation, executive orders) and are closed, (iii) any day on which the Federal Reserve Bank of Cleveland is

closed, or (iv) a day on which the Depository is closed. For purposes of this definition the Liquidity Facility Provider's principal office shall be that office at which demands for purchase are to be presented.

"Code" means the Internal Revenue Code of 1986, the Regulations (whether temporary or final) under that Code or the statutory predecessor of that Code, and any amendments of, or successor provisions to, the foregoing and any official rulings, announcements, notices, procedures and judicial determinations regarding any of the foregoing, all as and to the extent applicable. Unless otherwise indicated, reference to a section of the Code includes any applicable successor section or provision and such applicable Regulations, rulings, announcements, notices, procedures and determinations pertinent to that section.

"Commercial Paper Rate" means, when used with respect to any particular Series A Bond, the interest rate determined for each Commercial Paper Rate Period applicable thereto pursuant to the Series A Trust Agreement.

"Commercial Paper Rate Period" means a period during which a Series A Bond bears interest at a Commercial Paper Rate.

"Commission" means the Ohio Higher Educational Facility Commission, a body both corporate and politic, constituting an agency or instrumentality of the State.

"Continuing Disclosure Agreement" means the Continuing Disclosure Agreement, dated as of May 15, 2002 between the University and the Trustee, relating to the Series B Bonds.

"Conversion Date" means a day on which all or any portion of the Series A Bonds are converted to bear interest from one Applicable Rate to another Applicable Rate in accordance with the terms of the Series A Trust Agreement, including any change from a Term Rate Period to an immediately successive Term Rate Period of the same duration or a Term Rate Period of a different duration.

"Daily Rate" means the interest rate to be determined for the Series A Bonds on each Business Day pursuant to the Series A Trust Agreement.

"Daily Rate Period" means a period during which Series A Bonds bear interest at a Daily Rate.

"Default" means any circumstance that, with the passage of time or the giving of notice or both, would constitute an "Event of Default" under the applicable Bond Document.

"Defeasance Obligations" means (a) Direct Obligations or (b) obligations of any state or any political subdivision of any state, other than the Commission, that are rated in the highest category for long-term debt by a Rating Service, the interest on which is excluded from gross income for federal income tax purposes and the full and timely payment of the principal of and any premium and the interest on which is fully and unconditionally payable from obligations of the character described in (a) above.

"Depository" means The Depository Trust Company (a limited purpose trust company), New York, New York, until any successor Depository shall have become such pursuant to the applicable provisions of the Trust Agreements and, thereafter, "Depository" shall mean the successor Depository. Any Depository shall be a securities depository that is a clearing agency under federal law operating and maintaining, with its participants or otherwise, a book entry system to record ownership of beneficial interests in Bonds or Bond Service Charges, and to effect transfer of Bonds, in book entry form.

"Direct Obligations" means direct obligations of the United States of America (whether in certificated or book-entry form), and securities the timely payment of the principal of and interest on which is fully and unconditionally guaranteed by the United States of America, provided that the full faith and credit of the United States of America must be pledged to any such direct obligation or guarantee.

“**Dutch Auction Rate**” means, when used with respect to any particular Series A Bond, the interest rate determined for each Dutch Auction Rate Period applicable thereto pursuant to the Series A Trust Agreement.

“**Dutch Auction Rate Period**” means a period during which a Series A Bond bears interest at a Dutch Auction Rate.

“**Electronically**” or “**Electronic**” notice means notice transmitted through a time-sharing terminal or facsimile machine, if operative as between any two parties, or if not operative, by telephone (in any case, promptly confirmed in writing).

“**Eligible Investments**” means, to the extent permitted by law:

(a) Direct Obligations;

(b) direct obligations and fully guaranteed certificates of beneficial interest of the Export-Import Bank of the United States; senior debt obligations of the Federal Home Loan Banks; certificates of beneficial ownership of the Rural Economic Community Development Administration (formerly the Farmers Home Administration (“FmHA”)); participation certificates and senior debt obligations of the Federal Home Loan Mortgage Corporation (“FHLMCs”) rated, at the time of purchase, “Aaa” by Moody’s and “AAA” by Standard & Poor’s; debentures of the Federal Housing Administration; mortgage-backed securities (except stripped mortgage securities that are valued greater than par on the portion of unpaid principal at the time of purchase) and senior debt obligations of the Federal National Mortgage Association (“FNMA”) rated, at the time of purchase, “Aaa” by Moody’s and “AAA” by Standard & Poor’s; participation certificates of the General Services Administration; guaranteed mortgage-backed securities and guaranteed pass-through obligations of the Government National Mortgage Association (“GNMA”); senior debt obligations of the Student Loan Marketing Association; project notes, local authority bonds, new communities debentures and U.S. public housing notes and bonds of the U.S. Department of Housing & Urban Development; guaranteed Title XI financings of the U.S. Maritime Administration; and Resolution Funding Corporation obligations;

(c) direct obligations of any state of the United States of America or any subdivision or agency thereof whose long-term, unsecured, uninsured and unguaranteed general obligation debt is rated, at the time of purchase, “Aa” or better by Moody’s and “AA” or better by Standard & Poor’s, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose long-term, unsecured, uninsured and unguaranteed general obligation debt is rated, at the time of purchase, “Aa” or better by Moody’s and “AA” or better by Standard & Poor’s;

(d) commercial paper (having original maturities of not more than 270 days) rated, at the time of purchase, “Prime-1” or better by Moody’s and “A-1” or better by Standard & Poor’s;

(e) unsecured certificates of deposit, demand deposits, time deposits or bankers acceptances (in each case having maturities of not more than 360 days) of any domestic bank (including the Trustee and the Liquidity Facility Provider and their respective affiliates) including a branch office of a foreign bank, which branch office is located in the United States, provided that legal opinions are received to the effect that full and timely payment of such deposit or similar obligation is enforceable against the principal office or any branch of such bank, which, at the time of purchase, has a short-term “Bank Deposit” rating of “Prime-1” or “A-3” or better by Moody’s and a “Short-Term CD” rating of “A-1” or better by Standard & Poor’s;

(f) deposits of any bank or savings and loan association (including the Trustee and the Liquidity Facility Provider and their respective affiliates) that has combined capital, surplus and undivided profits of not less than \$3,000,000, provided that such deposits are continuously and fully insured by the Bank Insurance Fund or the Savings Association Insurance Fund of the Federal Deposit Insurance Corporation (“FDIC”);

(g) investments in money-market funds including without limitation, any mutual fund for which the Trustee or an affiliate of the Trustee serves as investment manager, administrator, shareholder servicing agent, and/or custodian or subcustodian, notwithstanding that (i) the Trustee or an affiliate of the Trustee receives fees from such funds for services rendered, (ii) the Trustee charges and collects fees for services rendered pursuant to the Trust Agreement, which fees are, separate from the fees received from such funds, and (iii) services performed for such funds and pursuant to this Trust Agreement may at times duplicate those provided to such funds by the Trustee or its affiliates registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, rated, at the time of purchase, “AAAm”, “AAAm-G” or “AAm” or the equivalent by Moody’s or Standard & Poor’s;

(h) repurchase agreements collateralized by Direct Obligations, GNMA’s, FNMA’s or FHLMC’s (the “Collateral Securities”) with any registered broker/dealer subject to the jurisdiction of the Securities Investors’ Protection Corporation or any commercial bank whose deposits are insured by the FDIC (including the Trustee or any broker/dealer affiliated with the Trustee), if such broker/dealer or bank has an uninsured, unsecured and unguaranteed obligation, at the time of purchase, rated “Prime-1” or “A3” or better by Moody’s, and “A-1” or “A” or better by Standard & Poor’s, provided that:

(i) a master repurchase agreement or other specific written repurchase agreement governs the transaction; and

(ii) the Collateral Securities are held free and clear of any lien by the Trustee (as may be evidenced by an opinion of counsel acceptable to the Trustee) or an independent third party acting solely as agent (“Agent”) for the Trustee, and such third party is (1) a Federal Reserve Bank or (2) a bank that is a member of the FDIC and that has combined capital, surplus and undivided profits of not less than \$50,000,000, and the Trustee shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for the Trustee; and

(iii) the Trustee receives an opinion of counsel acceptable to the Trustee that a perfected first security interest under the Uniform Commercial Code is created in, or book entry procedures prescribed at 31 C.F.R. 306.1 et seq. or 31 C.F.R. 350.0 et seq. are followed with respect to, the Collateral Securities for the benefit of the Trustee; and

(iv) the repurchase agreement has a term of 30 days or less, and the Trustee or the Agent will value the collateral securities no less frequently than weekly and will liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within two Business Days of such valuation; and

(v) the fair market value of the Collateral Securities in relation to the amount of the repurchase obligation, including principal and interest, is equal to at least 102%.

(i) investment agreements with a bank, insurance company or other provider (including the Trustee or any affiliate of the Trustee) that has an unsecured, uninsured and unguaranteed obligation (or claims-paying ability) rated “A3” or better by Moody’s and “A-” or better by Standard & Poor’s at the time of purchase, or is a lead bank of a parent bank holding company with an uninsured, unsecured and unguaranteed obligation meeting such rating requirements, provided that:

(i) interest is paid at least semiannually at a fixed rate during the entire term of the agreement, consistent with bond payment dates,

(ii) money invested thereunder may be withdrawn without any penalty, premium, or charge upon not more than one day’s notice (provided such notice may be amended or canceled at any time prior to the withdrawal date),

- (iii) the agreement is not subordinated to any other obligations of such bank, insurance company or other provider,
- (iv) the same guaranteed interest rate will be paid on any future deposits made to restore any reserve to its required amount, and
- (v) the Trustee receives an opinion of counsel that such agreement is an enforceable obligation of such bank, insurance company or other provider;
- (j) corporate notes or bonds rated, at the time of purchase, “A” or better by Moody’s and “A” or better by Standard & Poor’s;
- (k) such other investments as may be permitted under State and federal law, provided that such investments shall be made only for the purpose of preventing any Bonds from becoming “arbitrage bonds” under Section 148 of the Code, and provided further that prior to such investment, the Trustee or University Representative, as the case may be, shall have obtained the written opinion of bond counsel that such investment will not affect the exclusion of interest on the Bonds from gross income for federal income tax purposes.

Investments or deposits in certificates of deposit or in investment contracts shall not be made without complying with Treasury Regulations § 1.148-5(d) (6) (ii) and (iii), respectively, or with any successor provisions thereto or other similar applicable provisions. In determining whether the rating assigned by a Rating Service to an investment complies with the rating categories provided in this definition of Eligible Investments, the rating category shall be determined at the time of investment without regard to any numerical or plus or minus modifier, unless otherwise expressly provided above.

“Event of Default” means an Event of Default as defined in the applicable Bond Document.

“Executive” means the Chairman, Vice Chairman, Secretary or Assistant Secretary of the Commission.

“Guaranties” means, collectively, the Series A Guaranty and the Series B Guaranty.

“Holder” or **“Holder of a Bond”** means the Person in whose name a Bond is registered on the Register.

“Independent Counsel” means any attorney or firm of attorneys who is (i) duly admitted to practice law before the highest court of the State, (ii) not a full-time employee of the Commission, the University or the Trustee and (iii) acceptable to the Trustee.

“Initial Liquidity Facility” means the Standby Bond Purchase Agreement dated as of May 15, 2002, by and among the Liquidity Provider, the University and the Trustee, including any extensions thereof and any amendments or supplements thereto executed in accordance with the Series A Trust Agreement, pursuant to which the Liquidity Provider agrees to provide funds to the Trustee, in accordance with the terms thereof, up to the Required Amount of the Liquidity Facility, to pay such Series A Bonds tendered or required to be tendered for purchase pursuant to the Series A Trust Agreement.

“Initial Liquidity Facility Agreement” means the Standby Bond Purchase Agreement, dated as of May 15, 2002, entered into among the University, the Trustee and the Liquidity Facility Provider and available to the Trustee concurrently with the original issuance of the Series A Bonds, including extensions thereof and amendments or supplements thereto.

“Interest Payment Date” means (a) when used with respect to Series A Bonds bearing interest at the Daily Rate or Weekly Rate, the first Business Day of each calendar month to which interest at such rate has accrued, provided that the first such Interest Payment Date shall be July 1, 2002; (b) when used with respect to Series A Bonds bearing interest at a Term Rate, the first day of the sixth calendar month following the month in

which the applicable Term Rate Period begins and the first day of each sixth calendar month thereafter to which interest at such rate has accrued, except that the last Interest Payment Date for any Term Rate Period that is followed by a conversion to any Variable Rate Period (but not a conversion to a Term Rate Period of a different duration) will be the first Business Day of the sixth calendar month following the month in which the immediately preceding Interest Payment Date occurs; (c) when used with respect to any particular Series A Bond bearing interest at a Commercial Paper Rate, the first Business Day following the last day of each Commercial Paper Rate Period applicable thereto; (d) when used with respect to any particular Series A Bond bearing interest at the Dutch Auction Rate, shall have the meaning assigned to it in Section 2.07 of the Series A Trust Agreement; (e) when used with respect to Bank Bonds, the first Business Day of each January, April, July and October and (f) when used with respect to the Series B Bonds, each April 1 and October 1, beginning October 1, 2002, and any other date on which any Bond Service Charges shall be due and payable, whether at maturity, upon acceleration, redemption or otherwise. In any case, the Interest Payment Date will be the Maturity Date and any mandatory redemption date under the Trust Agreements.

“Interest Period” means the period from and including any Interest Payment Date to and including the day immediately preceding the next following Interest Payment Date, as applicable, provided, however, that the first Interest Period will begin on (and include) the date of original issuance of the Bonds and the final Interest Period will end on (and include) the day immediately preceding the Maturity Date.

“Interest Rate for Advances” means a rate that is 1% per year in excess of the rate of interest that JP Morgan Chase Bank, New York, New York, announces from time to time as its prime or base lending rate, in its commercial lending capacity at its principal office, such rate changing automatically and immediately from time to time as of the effective date of each such announced change, provided that a successor trustee and an Executive, on behalf of the Commission, may agree that the Interest Rate for Advances may be based on the prime or base lending rate of such successor trustee or on a bank designated by such successor trustee.

“Leases” means, collectively, the Series A Lease and the Series B Lease.

“Legal Requirements” means all laws, statutes, codes, acts, ordinances, resolutions, orders, judgments, decrees, injunctions, rules, regulations, permits, licenses, authorizations, directions and requirements (including but not limited to zoning, planning, building and environmental) of all governments, departments, commissions, boards, courts, authorities, agencies, officials and officers, foreseen or unforeseen, ordinary or extraordinary, that are applicable now or may be applicable at any time hereafter (i) to the University or (ii) to the Projects or any part thereof or any use or condition of the Projects or any part thereof.

“Liquidity Facility” means the Initial Liquidity Facility or any Alternate Liquidity Facility then in effect.

“Liquidity Facility Agreement” means the Initial Liquidity Facility Agreement and thereafter means the agreement, if any, between the University and a Liquidity Facility Provider relating to any Liquidity Facility at the time in effect.

“Liquidity Provider” means with respect to the Initial Liquidity Facility, Landesbank Hessen-Thüringen Girozentrale, acting through its New York Branch, as the issuer of the Initial Liquidity Facility, and its successors in such capacity and its assigns; or, if any Alternate Liquidity Facility is issued, the issuer or issuers thereof, and its or their successor or successors in such capacity and its or their assign or assigns.

“Maturity Date” means with respect to the Series A Bonds, October 1, 2031 and with respect to the Series B Bonds October 1, 2022.

“Maximum Rate” means (a) if other than a Bank Bond, the lesser of (i) 10% per year, or (ii) if a Liquidity Facility is then in effect, the maximum rate stated in such Liquidity Facility for providing payment of interest on the Series A Bonds or (b) if a Bank Bond, the Bank Rate, as provided in the Liquidity Facility Agreement.

“**Notice of Termination Date**” means the date on which, in the case of certain Events of Default under the Initial Liquidity Facility, the Liquidity Provider may give written notice of such Event of Default and termination of the Initial Liquidity Facility.

“**Offering Circular**” means this Offering Circular with respect to the Bonds.

“**Outstanding Bonds**”, “Bonds outstanding” or “outstanding” as applied to the Bonds means, as of the applicable date, all Bonds that have been authenticated and delivered, or are being delivered, by the Trustee under the Trust Agreements, except:

(a) Bonds cancelled upon surrender, exchange or transfer, or cancelled because of payment or redemption on or prior to that date;

(b) Bonds, or the portion thereof, for the payment, redemption or purchase for cancellation of which sufficient money shall have been deposited and credited with the Trustee or any Paying Agents on or prior to that date for that purpose (whether upon or prior to the maturity or redemption date of those Bonds); provided that, if any of those Bonds are to be redeemed prior to their maturity, notice of that redemption shall have been given or arrangements satisfactory to the Trustee shall have been made for giving notice of that redemption, or waiver by the affected Holders of that notice satisfactory in form to the Trustee shall have been filed with the Trustee;

(c) Bonds, or the portion thereof, that are deemed to have been paid and discharged or caused to have been paid and discharged pursuant to the provisions of the Trust Agreement; and

(d) Bonds in lieu of which others have been authenticated under Section 3.02 of the Trust Agreements.

“**Paying Agent**” means any bank or trust company designated as a Paying Agent for the Bonds by or in accordance with the Trust Agreements.

“**Permitted Encumbrances**” means, as of any particular time:

(a) the Trust Agreements, the Base Leases, the Leases, and any sublease of the Projects authorized by the Leases and/or Base Leases;

(b) liens for ad valorem taxes, governmental charges and special assessments not then delinquent, or if then delinquent, being contested in accordance with the Leases;

(c) utility, access and other easements and rights-of-way, mineral rights, restrictions and exceptions that an architect certifies will not interfere with or impair the operations being or to be conducted on the Projects (or if no operations are being conducted thereon, the operations for which the Projects were designed or last modified);

(d) security interests, mortgages, easements, restrictions and other encumbrances existing as of the date of delivery of the Base Leases;

(e) purchase money mortgages, purchase money security interests and other similar interests to the extent permitted by the Leases;

(f) minor defects, irregularities, encumbrances, easements, rights-of-way and clouds on title of a nature that exist normally with respect to properties of a character similar to that of the Projects and that, in the opinion of an architect or Independent Counsel, in the aggregate do not affect materially and adversely the value or marketable title of the Projects or impair materially the property affected thereby for the purpose for which it was acquired or is held;

(g) liens resulting from governmental regulations on the use of the Projects; and

(h) any lien, mortgage, security interest or other encumbrance identified in an exhibit to the Leases or otherwise permitted by the Leases and the Trust Agreements.

“**Person**” or words importing persons mean firms, associations, partnerships (including without limitation, general and limited partnerships), limited liability companies, joint ventures, societies, estates, trusts, corporations, public or governmental bodies, other legal entities and natural persons.

“**Projects**” means, collectively, the Series A Project and the Series B Project.

“**Purchase Date**” or “**purchase date**” means any Business Day on which the Remarketing Agent is required to purchase Series A Bonds tendered for purchase by the Holders thereof in accordance with the Optional and Mandatory Tender provisions of the Series A Trust Agreement.

“**Purchase Price**” or “**purchase price**” means a price equal to 100% of the principal amount of any Series A Bonds tendered for purchase pursuant to Sections 4.06 or 4.07 of the Series A Trust Agreement plus (in the event that the Purchase Date is not an Interest Payment Date) accrued interest to the Purchase Date.

“**Rate Period**” means a period during which a particular rate of interest determined for all or a portion of the Series A Bonds is to remain in effect until a subsequently determined rate of interest becomes effective for such Series A Bonds pursuant to the Series A Trust Agreement. In any case, the final Rate Period will end on (and include) the day immediately preceding the Series A Maturity Date.

“**Rating Service**” means Moody’s Investors Service, Inc. (“Moody’s”) or Standard & Poor’s Ratings Services (“Standard & Poor’s”) or Fitch Ratings (“Fitch”), each of New York, New York, or their successors, or if either shall be dissolved or no longer assigning credit ratings to long-term debt, then any other nationally recognized entity assigning credit ratings to long-term debt designated by an Executive.

“**Record Date**” means the close of business on (a) the fifteenth day of the month preceding an Interest Payment Date in the case of Series A Bonds bearing interest at a Term Rate; (b) the last Business Day of the Interest Period in the case of Series A Bonds bearing interest at a Daily Rate or Weekly Rate; (c) the last day of the Commercial Paper Rate Period applicable to such Series A Bond in the case of Series A Bonds bearing interest at a Commercial Paper Rate; (d) the second Business Day preceding an Interest Payment Date applicable to such Series A Bonds in the case of Series A Bonds bearing interest at the Dutch Auction Rate; and (e) the fifteenth day of the month preceding an Interest Payment Date in the case of Series B Bonds.

“**Register**” means the books kept and maintained by the Registrar for the registration and transfer of Bonds pursuant to the Trust Agreements.

“**Registrar**” means the Trustee, until a successor Registrar shall have become such pursuant to applicable provisions of the Trust Agreements; each Registrar shall be a transfer agent registered in accordance with Section 17A(c) of the Securities Exchange Act of 1934, as amended.

“**Remarketing Agent**” means the Remarketing Agent appointed pursuant to the Series A Trust Agreement, initially Morgan Stanley & Co. Incorporated, and its successors. “Principal Office” of the Remarketing Agent means the office or offices designated in writing to the Commission, the Trustee, the Paying Agent, and the University.

“**Remarketing Agreement**” means any Remarketing Agreement among the University, the Trustee and the Remarketing Agent pursuant to the Series A Trust Agreement, as amended from time to time.

“**Remarketing Proceeds Account**” means the account of that name established in each Bond Purchase Fund pursuant to the Trust Agreements.

“Rental Payment Date” means an Interest Payment Date.

“Rental Payments” means, collectively, the Series A Rental Payments and the Series B Rental Payments.

“Revenues” means, collectively, the Series A Revenues and the Series B Revenues.

“Revised Code” means the Revised Code of the State of Ohio.

“Series A Assignment” means the Assignment of Rights Under Lease, dated May 15, 2002, from the Commission, as assignor, to the Trustee, as assignee, as amended or supplemented from time to time, relating to the Series A Bonds.

“Series B Assignment” means the Assignment of Rights Under Lease, dated May 15, 2002, from the Commission, as assignor, to the Trustee, as assignee, as amended or supplemented from time to time, relating to the Series B Bonds.

“Series A Base Lease” means the Base Lease, dated May 15, 2002, between the University, as lessor, and the Commission, as lessee, as amended or supplemented from time to time, relating to the Series A Bonds.

“Series B Base Lease” means the Lease, dated May 15, 2002, between the University, as lessor, and the Commission, as lessee, as amended or supplemented from time to time, relating to the Series B Bonds.

“Series A Bond Fund” means the Bond Fund created under the Series A Trust Agreement and held by the Trustee.

“Series B Bond Fund” means the Bond Fund created under the Series B Trust Agreement and held by the Trustee.

“Series A Bond Purchase Agreement” means the Bond Purchase Agreement providing for the sale of the Series A Bonds among Morgan Stanley & Co. Incorporated, NatCity Investments, Inc., McDonald Investments Inc., the University and the Commission.

“Series B Bond Purchase Agreement” means the Bond Purchase Agreement providing for the sale of the Series B Bonds among Morgan Stanley & Co. Incorporated, NatCity Investments, Inc., McDonald Investments Inc., the University and the Commission.

“Series A Bond Purchase Fund” means the Bond Purchase Fund established pursuant to the Series A Trust Agreement.

“Series A Guaranty” means the Guaranty Agreement, dated May 15, 2002, between the University and the Trustee, as amended or supplemented from time to time, relating to the Series A Bonds.

“Series B Guaranty” means the Guaranty Agreement, dated May 15, 2002, between the University, and the Trustee, as amended or supplemented from time to time, relating to the Series B Bonds.

“Series A Improvement Fund” means the Improvement Fund created under the Series A Trust Agreement.

“Series B Improvement Fund” means the Improvement Fund created under the Series B Trust Agreement.

“Series A Trust Agreement” means the Trust Agreement, dated as of May 15, 2002, securing the Series A Bonds, between the Commission and the Trustee, as amended or supplemented from time to time.

“**Series B Trust Agreement**” means the Trust Agreement, dated as of May 15, 2002, securing the Series B Bonds, between the Commission and the Trustee, as amended or supplemented from time to time.

“**Series A Issuance Expenses Fund**” means the Issuance Expenses Fund created under the Series A Trust Agreement.

“**Series B Issuance Expenses Fund**” means the Issuance Expenses Fund created under the Series B Trust Agreement.

“**Series A Rebate Fund**” means the Rebate Fund created under the Series A Trust Agreement.

“**Series B Rebate Fund**” means the Rebate Fund created under the Series B Trust Agreement.

“**Series A Rental Payments**” means the amounts required to be paid by the University to the Trustee pursuant to the Series A Lease and the Series A Assignment.

“**Series B Rental Payments**” means the amounts required to be paid by the University to the Trustee pursuant to the Series B Lease and the Series B Assignment.

“**Series A Revenues**” means (a) Series A Rental Payments, (b) amounts held in, or for the credit of, the Series A Special Funds, (c) all amounts payable to the Trustee with respect to Bond Service Charges on the Series A Bonds by the Liquidity Facility Provider under the Liquidity Facility, (d) all other rentals, revenue, income, charges and money received or to be received by the Commission, or the Trustee for the account of the Commission, from the lease, sale or other disposition of the Series A Project, and (e) all income and profit from the investment of the Series A Rental Payments and the Series A Special Funds and such other money. The term “Series A Revenues” does not include any money or investments in the Series A Rebate Funds or the Series A Issuance Expenses Fund.

“**Series B Revenues**” means (a) Series B Rental Payments, (b) amounts held in, or for the credit of, the Series B Special Funds, (c) all other rentals, revenue, income, charges and money received or to be received by the Commission, or the Trustee for the account of the Commission, from the lease, sale or other disposition of the Series B Project, and (d) all income and profit from the investment of the Series B Rental Payments and the Series B Special Funds and such other money. The term “Series B Revenues” does not include any money or investments in the Series B Rebate Fund or the Series B Issuance Expenses Fund.

“**Series A Special Funds**” means, collectively, the Series A Bond Fund, the Series A Improvement Fund and any other funds or accounts permitted by, established under or identified in the Series A Trust Agreement or the Bond Legislation, except the Series A Rebate Fund and the Series A Issuance Expenses Fund.

“**Series B Special Funds**” means, collectively, the Series B Bond Fund, the Series B Improvement Fund and any other funds or accounts permitted by, established under or identified in the Series B Trust Agreement or the Bond Legislation, except the Series B Rebate Fund and the Series B Issuance Expenses Fund.

“**Series A Tax Agreement**” means the Tax Certificate and Agreement, dated as of May 15, 2002, among the Commission, the University and the Trustee, as amended or supplemented from time to time, relating the Series A Bonds.

“**Series B Tax Agreement**” means the Tax Certificate and Agreement, dated as of May 15, 2002, among the Commission, the University and the Trustee, as amended or supplemented from time to time, relating to the Series B Bonds.

“**Special Record Date**” means, with respect to any Bond, the date established by the Trustee in connection with the payment of overdue interest on that Bond pursuant to the Trust Agreements.

“**State**” means the State of Ohio.

“**Tax Agreements**” means, collectively, the Series A Tax Agreement and the Series B Tax Agreement.

“**Tax-Exempt Organization**” means a Governmental Unit or a 501(c)(3) Organization.

“**Term Rate**” means the interest rate to be determined pursuant to the Series A Trust Agreement for the Series A Bonds for a term of one or more whole years or for a term to Maturity.

“**Term Rate Bonds**” means Series A Bonds that bear interest at a Term Rate.

“**Term Rate Period**” means a period during which Series A Bonds bear interest at a particular Term Rate.

“**Term Rate Period of a different duration**” means a conversion to a Term Rate Period of a different duration than the then current Term Rate Period and, if the conversion is occurring on a date other than that originally scheduled as the last Interest Payment Date of the then current Term Rate Period, a conversion to a Term Rate Period of the same duration as the then current Term Rate Period.

“**Termination Date**” means the earlier of (a) the effective date of cancellation or termination of the Leases by the University or (b) the termination of the Leases by the Commission, subject to reinstatement, all pursuant to the provisions of the Leases.

“**Trust Agreements**” means, collectively, the Series A Trust Agreement and the Series B Trust Agreement.

“**Trustee**” means the Trustee under the Trust Agreements, originally J.P. Morgan Trust Company, National Association, a national limited purpose trust company duly organized and validly existing under the laws of the United States of America, and any successor Trustee, as determined or designated under the Trust Agreements.

“**Unassigned Rights**” means the rights of the Commission under the Leases that are not assigned to the Trustee, consisting of the rights of the Commission (i) to receive Additional Payments, (ii) to be held harmless and to be indemnified, (iii) to be reimbursed for attorney’s fees and expenses, to the extent permitted by law, (iv) to give or withhold consent to amendments of the Leases and (v) to enforce those rights.

“**University**” means Case Western Reserve University, an Ohio nonprofit corporation and an educational institution, as defined in the Act, and its lawful successors and assigns, including without limitation any surviving, resulting or transferee corporation or entity, as permitted under the Lease.

“**Variable Rate**” means the Daily, Weekly, Commercial Paper or Dutch Auction Rate.

“**Variable Rate Bonds**” means Series A Bonds that bear interest at a Variable Rate.

“**Variable Rate Period**” means a period during which the Series A Bonds bear interest at a Variable Rate.

“**Weekly Rate**” means the interest rate to be determined for the Series A Bonds on a weekly basis pursuant to the Series A Trust Agreement.

“**Weekly Rate Period**” means a period during which Series A Bonds bear interest at a Weekly Rate.

THE TRUST AGREEMENTS

The following is a summary of certain provisions of the Series A Trust Agreement and the Series B Trust Agreement that are substantially similar. Such summary does not purport to be complete or definitive and reference is made to the Series A Trust Agreement and the Series B Trust Agreement for a full and complete statement of the terms and provisions and for the definition of capitalized terms used in this summary and not otherwise defined under “**Certain Defined Terms and Summary of Certain Provisions of the Trust Agreements and the Leases.**”

Pledge and Assignment. In order to secure the payment of the principal of, and interest and premium, if any, on the Series A Bonds issued under the Series A Trust Agreement (including the Bank Bonds) and on the Series B Bonds issued under the Series B Trust Agreement either at their maturity or prior redemption according to their tenor and effect, to secure, in connection with the Series A Trust Agreement, on a subordinated basis, the Liquidity Facility Provider to the extent of any amounts owed to the Liquidity Facility Provider pursuant to the Liquidity Facility Agreement and to secure the performance and observance by the Commission of all the covenants and obligations expressed or implied in the Trust Agreements and in the Bonds, the Commission assigns to the Trustee all of the Commission’s rights to, and interests in, the Revenues,(except for the Unassigned Rights) the Leases and the Guaranties.

Replacement Bonds. If any Depository determines not to continue to act as a Depository for the Bonds for use in a book entry system or the Commission at the request of the University determines to terminate the services of any Depository (after determining that the continuation of such book entry system services by such Depository is not in the best interests of the Commission, the University or the beneficial owners of the Bonds), the Commission, at the request of the University, may attempt to have established a securities depository/book entry system relationship with another qualified Depository under the Trust Agreements. If the Commission does not or is unable to do so, the Commission and the Trustee, after the Trustee has made provision for notification of the Liquidity Facility Provider, if applicable, and the owners of beneficial interests in the Bonds by appropriate notice to the then Depository, shall permit withdrawal of the Bonds from the Depository, and authenticate and deliver Bond certificates in fully registered form to the assignees of the Depository or its nominee. Such withdrawal, preparation, signing, authentication and delivery shall be at the cost and expense (including costs of printing or otherwise preparing, and delivering, such replacement Bonds), of the University.

Books. The Commission shall cause books for the registration and registration of transfer of the Bonds as provided in the Series A Trust Agreement and the Series B Trust Agreement to be kept by the Registrar. The Registrar shall maintain and keep, at the designated office of the Registrar, books for the registration and registration of transfer of the Bonds, which at all reasonable times shall be open for inspection by the Commission, the Trustee and the University. Upon presentation of any Bond entitled to registration or registration of transfer at the designated office of the Registrar, the Registrar shall register or register the transfer of the Bond in the registration books. The Registrar shall make all necessary provisions to permit the exchange or registration of transfer of Bonds at the designated office of the Registrar.

Transfer and Exchange. The Series A Bonds shall be transferred and exchanged as provided in the Series A Trust Agreement and the Series B Bonds shall be transferred and exchanged as provided in the Series B Trust Agreement, provided that the Trustee and Registrar shall not register the transfer or exchange of any Bonds subject to redemption during the 15 days prior to the selection of such Bonds to be redeemed or those Bonds as to which notice of redemption has been given in accordance with the Series A Trust Agreement or the Series B Trust Agreement.

Nonpresentment of Bonds. In the event that any Series A Bond shall not be presented for payment when the principal thereof becomes due in whole or in part, either at stated maturity or by redemption, or check or draft for interest is uncashed, if money sufficient to pay the principal then due of that Series A Bond or of such check or draft has been made available to the Trustee for the benefit of its Holder, all liability of the State or the Commission to that Holder for such payment of the principal then due on the Series A Bonds or of such check or draft thereupon shall cease and be discharged completely. Thereupon, it shall be the duty of the Trustee to hold

that money, without liability for interest thereon, in a separate account in the Series A Bond Fund for the exclusive benefit of the Holder, who shall be restricted thereafter exclusively to that money for any claim of whatever nature on its part under the Series A Trust Agreement or on, or with respect to, the principal then due of that Series A Bond or of such check or draft. In the event that any Series B Bond shall not be presented for payment when the principal thereof becomes due in whole or in part, either at stated maturity or by redemption, or check or draft for interest is uncashed, if money sufficient to pay the principal then due of that Series B Bond or of such check or draft has been made available to the Trustee for the benefit of its Holder, all liability of the State or the Commission to that Holder for such payment of the principal then due on the Series B Bonds or of such check or draft thereupon shall cease and be discharged completely. Thereupon, it shall be the duty of the Trustee to hold that money, without liability for interest thereon, in a separate account in the Series B Bond Fund for the exclusive benefit of the Holder, who shall be restricted thereafter exclusively to that money for any claim of whatever nature on its part under the Series B Trust Agreement or on, or with respect to, the principal then due of that Series B Bond or of such check or draft. At the direction of the University, the Trustee shall invest the amounts in that separate account in Eligible Investments maturing at the times and in the amounts necessary to provide money to pay Bond Service Charges. The investment earnings received from those investments shall be paid to the University upon request, which request shall not be more frequent than on a semiannual basis. Any money that shall be so held by the Trustee and that remains unclaimed by the Holder of a Bond not presented for payment or check or draft not cashed for a period of four years after the due date thereof shall be paid to the University free of any trust or lien upon a request in writing by the University. Thereafter, the Holder of that Bond shall look only to the University for payment and then only to the amounts so received by the University without any interest thereon, and the Trustee shall not have any responsibility with respect to that money.

Creation of Funds and Accounts; Deposit of and Use of Moneys. The Funds and separate Accounts within the Funds created with respect to the Series A Bonds under the Series A Trust Agreement shall be held and administered by the Trustee in accordance with the terms of the Series A Trust Agreement and as described below concerning certain Funds:

Series A Improvement Fund and Series A Issuance Expenses Fund. The proceeds of the sale of the Series A Bonds shall be deposited by the Trustee as follows: to the Series A Issuance Expense Fund, an amount specified by the Commission in a certificate to the Trustee, which amount shall not exceed the amount of the Series A Bond proceeds that may be allocated for issuance expenses under the Code; and to the Series A Improvement Fund, the balance of the proceeds. Money in the Series A Improvement Fund and the Series A Issuance Expense Fund shall be distributed by the Trustee in accordance with the provisions of the Series A Lease. Pending disbursement pursuant to the Series A Lease, the money and Eligible Investments to the credit of the Series A Improvement Fund shall constitute a part of the Revenues. The balance of the moneys remaining in the Series A Improvement Fund after the payment of the expenses described above shall be used, as directed by the University pursuant to the Series A Lease. On the earlier of (i) September 15, 2002 or (ii) the date when all fees, charges and expenses relating to the issuance of the Series A Bonds have been paid or provision for their payment has been made, as certified to the Trustee by the University, the Trustee shall transfer any balance of moneys remaining in the Series A Issuance Expenses Fund to the Series A Bond Fund or the Series A Improvement Fund.

Series A Bond Fund. The Series A Bond Fund and the money and Eligible Investments therein shall be used solely and exclusively for the payment of the Bond Service Charges, all as provided in the Series A Trust Agreement and the Series A Lease.

Series A Bond Purchase Fund. The Series A Bond Purchase Fund and the money therein shall be used to pay the purchase price of Series A Bonds to be purchased pursuant to optional or mandatory tender. There is further created special accounts of the Series A Bond Purchase Fund designated "Remarketing Proceeds Account," "Liquidity Facility Proceeds Account," "University Proceeds Account" and "Bank Bonds Account". There shall be deposited into the Bank Bonds Account, as specifically provided in the Series A Trust Agreement, all moneys required to be deposited into that Account as a condition or covenant relating to the existence of Bank Bonds, including the amounts necessary to pay certain amounts due under the Liquidity Facility and any Differential Interest Amount thereon.

The Funds and separate Accounts within the Funds created with respect to the Series B Bonds under the Series B Trust Agreement shall be held and administered by the Trustee in accordance with the terms of the Series B Trust Agreement and as described below concerning certain Funds:

Series B Improvement Fund and Series B Issuance Expenses Fund. The proceeds of the sale of the Series B Bonds shall be deposited by the Trustee as follows: to the Series B Issuance Expense Fund, an amount specified by the Commission in a certificate to the Trustee, which amount shall not exceed the amount of the Series B Bond proceeds that may be allocated for issuance expenses under the Code; and to the Series B Improvement Fund, the balance of the proceeds. Money in the Series B Improvement Fund and the Series B Issuance Expense Fund shall be distributed by the Trustee in accordance with the provisions of the Series B Lease. Pending disbursement pursuant to the Series B Lease, the money and Eligible Investments to the credit of the Series B Improvement Fund shall constitute a part of the Revenues. The balance of the moneys remaining in the Series B Improvement Fund after the payment of the expenses described above shall be used, as directed by the University pursuant to the Series B Lease. On the earlier of (i) September 15, 2002 or (ii) the date when all fees, charges and expenses relating to the issuance of the Series B Bonds have been paid or provision for their payment has been made, as certified to the Trustee by the University, the Trustee shall transfer any balance of moneys remaining in the Series B Issuance Expenses Fund to the Series B Bond Fund or the Series B Improvement Fund.

Series B Bond Fund. The Series B Bond Fund and the money and Eligible Investments therein shall be used solely and exclusively for the payment of the Bond Service Charges, all as provided in the Series B Trust Agreement and the Series B Lease.

Certain Notices Regarding Initial Liquidity Facility. The Trustee shall promptly notify Series A Bondholders by first class mail, postage prepaid, of an extension of any then existing Liquidity Facility. The Trustee shall notify Series A Bondholders of the proposed delivery of any Alternate Liquidity Facility by first class mail, postage prepaid, at least 20 days prior to the effective date of any Alternate Liquidity Facility that an Alternate Liquidity Facility will secure the Series A Bonds and will identify the new Liquidity Facility Provider. In addition, twelve months prior to the expiration date of the Liquidity Facility then in effect and on the first Business Day of each consecutive month thereafter until such expiration date, the Trustee shall deliver written notice to the University of such expiration date.

Lien. The Commission shall not create any lien upon any of the Funds or Accounts created by either the Series A Trust Agreement, the Series B Trust Agreement or upon the Revenues of the Commission from the Leases, other than the liens created by the Series A Trust Agreement and the Series B Trust Agreement.

Payment of Interest. Interest on the Bonds will be payable on each Interest Payment Date in immediately available funds wired by the Trustee to the registered owner (the Depository or its nominee) as of the Record Date applicable to that Interest Payment Date.

Payment of Principal and Premium. Principal of any premium on the Bonds will be payable on the payment date therefore in immediately available funds wired by the Trustee to the registered owner (the Depository or its nominee).

Investments. Moneys in any Series A Bond Fund, Series A Improvement Fund, Series A Issuance Fund, Series A Rebate Fund or Series A Account (excluding moneys in the Series A Bond Purchase Fund which shall remain uninvested) created under the Series A Trust Agreement shall, at the direction of the University, be invested and reinvested by the Trustee in Eligible Investments and such investments applied pursuant to and in accordance with the Series A Trust Agreement. Moneys in any Series B Bond Fund, Series B Improvement Fund, Series B Issuance Fund, Series B Rebate Fund or Series B Account (excluding moneys in the Series B Bond Purchase Fund which shall remain uninvested) created under the Series B Trust Agreement shall, at the direction of the University, be invested and reinvested by the Trustee in Eligible Investments and such investments applied pursuant to and in accordance with the Series B Trust Agreement.

Redemption. The Series A Bonds shall be subject, pursuant to the terms of the Series A Trust Agreement, to optional, extraordinary optional redemption and mandatory sinking fund redemption and the Series B Bonds shall be subject, pursuant to the terms of the Series B Trust Agreement, to optional and extraordinary optional redemption. (See “The Bonds -Redemption” for a description of the provisions regarding redemption.)

No Pecuniary Liability. Each and every covenant made in the Trust Agreements is predicated upon the condition that the Commission will not have any pecuniary liability for the payment of the principal of and premium, if any, or interest on the Bonds, or performance of any pledge, mortgage, obligation or agreement created by or arising out of the Trust Agreements or the issuance of the Bonds. Neither the Bonds nor the interest on the Bonds nor any obligation or agreement of the Commission under the Trust Agreements or the other Bond Documents will be construed to constitute an indebtedness of the Commission within the meaning of any constitutional or statutory provision.

No Personal Liability. Except in instances of bad faith, fraud or deceit as provided in the Trust Agreements, no covenant, stipulation, obligation or agreement of the Commission in the Trust Agreements, the Bonds, the Leases or any other Bond Document will be deemed to be a covenant, stipulation, obligation or agreement of any present or future elected or appointed official, officer, employee or agent of the Commission in his or her individual capacity, and neither the members of the Commission nor any official executing the Bonds will be liable personally on the Bonds or be subject to any personal liability or accountability by reason of the issuance of the Bonds or by reason of the covenants, stipulations, obligations or agreement of the Commission contained in the Leases or the Trust Agreements.

Performance of Covenants of the Commission; Representations. The Commission will at all times faithfully perform any and all covenants, undertakings, stipulations and provisions contained in the Trust Agreements, in any and every Bond executed, authenticated and delivered under the Trust Agreements, and in all proceedings pertaining to the Bonds.

No Disposition of Trust Estate. Except as permitted by the Trust Agreements or the other Bond Documents, the Commission will not sell or otherwise dispose of all or any part of its interest in the Projects or assign or grant a security interest in the Revenues or create or suffer to create any debt, lien or charge thereon.

Removal of Trustee. The Trustee of the Series A Trust Agreement may be removed at any time by an instrument or document or concurrent instruments or documents in writing delivered to the Trustee, with copies thereof mailed to the Commission, the Liquidity Facility Provider and the University, and signed by or on behalf of the Holders of not less than a majority in aggregate principal amount of the Series A Bonds then outstanding but with the written consent of the Liquidity Facility Provider. The Trustee of the Series A Trust Agreement also may be removed at any time for any breach of trust or for acting or proceeding in violation of, or for failing to act or proceed in accordance with, any provision of the Series A Trust Agreement with respect to the duties and obligations of the Trustee by any court of competent jurisdiction upon the application of the Commission or the Holders of not less than 25% in aggregate principal amount of then Outstanding Series A Bonds. The Trustee of the Series B Trust Agreement may be removed at any time by an instrument or document or concurrent instruments or documents in writing delivered to the Trustee, with copies thereof mailed to the Commission and the University, and signed by or on behalf of the Holders of not less than a majority in aggregate principal amount of the Series B Bonds then outstanding. The Trustee of the Series B Trust Agreement also may be removed at any time for any breach of trust or for acting or proceeding in violation of, or for failing to act or proceed in accordance with, any provision of the Series B Trust Agreement with respect to the duties and obligations of the Trustee by any court of competent jurisdiction upon the application of the Commission or the Holders of not less than 25% in aggregate principal amount of then Outstanding Series B Bonds. In either instance, the University may solicit the Holders or the Commission to make such an application, and at the request of the University, the Trustee shall permit the University to inspect the Register for this purpose. The Commission shall promptly consider such a request from the University. The removal of a Trustee shall not become effective until the appointment of a successor Trustee.

Events of Default.

Each of the following events shall constitute an Event of Default under the Series A Trust Agreement:

- (a) Any installment of interest on any Series A Bond is not paid when the same becomes due and payable;
- (b) The principal or purchase price of or premium, if any, on any Series A Bond is not paid when the same becomes due and payable, whether at stated maturity or by acceleration or redemption pursuant to any mandatory sinking fund requirements, pursuant to the purchase obligations set forth in the Series A Trust Agreement;
- (c) The Liquidity Facility Provider fails to find any amount requested pursuant to the Liquidity Facility in accordance with the terms and conditions set forth in the Series A Trust Agreement;
- (d) The Commissioner or the University fails to perform or observe any covenant or agreement or obligation under the Series A Trust Agreement or the Series A Lease or the Series A Tax Agreement that results in the interest on the Series A Bonds no longer being excluded from gross income for federal income tax purposes;
- (e) A failure by the Commission to observe or perform any covenant, agreement or provision, other than as specified in clauses (a) or (d) above, contained in the Series A Bonds or in the Series A Trust Agreement which is to be observed or performed by the Commission, which failure continues for a period of sixty (60) days after written notice, specifying the failure and requesting that it be remedied, has been given to the Commission and the University which notice may be given by the Trustee in its discretion and which notice must be given by the Trustee at the written request of the Holders of not less than 25% in aggregate principal amount of Series A Bonds then outstanding;
- (f) An Event of Default under the Series A Lease subject to applicable waivers and cure periods as provided therein; and
- (g) The University fails to perform or observe any covenant, agreement or obligation on the part of the University contained in the Series A Guaranty, giving effect to any notices and grace periods therein.

Each of the following events shall constitute an Event of Default under the Series B Trust Agreement:

- (a) Any installment of interest on any Series B Bond is not paid when the same becomes due and payable;
- (b) The principal or purchase price of or premium, if any, on any Series B Bond is not paid when the same becomes due and payable, whether at stated maturity or by acceleration or redemption pursuant to any mandatory sinking fund requirements, pursuant to the purchase obligations set forth in the Series B Trust Agreement;
- (c) The Commissioner or the University fails to perform or observe any covenant or agreement or obligation under the Series B Trust Agreement or the Series B Lease or the Series B Tax Agreement that results in the interest on the Series B Bonds no longer being excluded from gross income for federal income tax purposes;
- (d) A failure by the Commission to observe or perform any covenant, agreement or provision, other than as specified in clauses (a) or (c) above, contained in the Series B Bonds or in the Series B Trust Agreement which is to be observed or performed by the Commission, which failure continues for a period of sixty (60) days after written notice, specifying the failure and requesting that it be remedied, has been given to the Commission and the University which notice may be given by the Trustee in its discretion and which notice

must be given by the Trustee at the written request of the Holders of not less than 25% in aggregate principal amount of Series B Bonds then outstanding;

(e) An Event of Default under the Series B Lease subject to applicable waivers and cure periods as provided therein; and

(f) The University fails to perform or observe any covenant, agreement or obligation on the part of the University contained in the Series B Guaranty, giving effect to any notices and grace periods therein.

Acceleration of Maturity. Upon the occurrence of an Event of Default under the Series A Trust Agreement, the Trustee may and will at the direction of the Holders of Series A Bonds representing 25% of the principal amount of Series A Bondholders by written notice to the Commission, declare the principal and any premium on all of the Series A Bonds then outstanding and the interest accrued thereon to be immediately due and payable. Upon the occurrence of an Event of Default under the Series B Trust Agreement, the Trustee may and will at the direction of the Holders of Series B Bonds representing 25% of the principal amount of Series B Bondholders by written notice to the Commission, declare the principal and any premium on all of the Series B Bonds then outstanding and the interest accrued thereon to be immediately due and payable.

Actual Notice of Events of Default. The Trustee will provide written notice of the occurrence and continuing of any Event of Default, under either the Series A Trust Agreement or the Series B Trust Agreement, to the University, the Commission, the Registrar, the Paying Agent, the Authenticating Agent and Morgan Stanley & Co. Incorporated and the Liquidity Provider (only with respect to the Series A Bonds) within seven business days and all Holders of Bonds within thirty (30) days after obtaining knowledge of such Event of Default.

Rescission or Annulment of Acceleration. If, at any time after such principal and premium, if any, and interest shall have been so declared due and payable and prior to the entry of a judgment in a court of law or equity for enforcement hereunder or the appointment, and the confirmation thereof, of a receiver after an opportunity for hearing by the Commission and the University, all amounts payable hereunder except the principal of, and interest accrued after the next preceding Interest Payment Date on, the Bonds that have not reached their stated maturity dates and that are due and payable solely by reason of said declaration shall have been duly paid or provided for by deposit with the Trustee or Paying Agents and all existing Defaults shall have been made good, then and in every such case such payment or provisions for payment shall, ipso facto, constitute a waiver of such Default and Event of Default and its consequences and an automatic rescission shall extend to or affect any subsequent Event of Default or impair any rights consequent thereon.

Restoration to Former Position. In case any proceedings taken by the Trustee on account of default in respect of either the Series A Bonds or the Series B Bonds have been discontinued or abandoned for any reason, or shall have been determined adversely to the Trustee, the Commission, or with respect to the Series A Bonds the Liquidity Facility Provider, then the Commission, the Trustee and if applicable the Liquidity Facility Provider will be restored to their respective former positions and rights under the relevant Trust Agreement, and all rights, remedies, powers and duties of the Trustee will continue as though no such proceeding had been taken.

Bondholders' Right to Direct Proceedings. Anything to the contrary in the Series A Trust Agreement notwithstanding, the Holders of a majority in aggregate principal amount of Outstanding Series A Bonds shall have the right at any time to direct, by an instrument or document or instruments or documents in writing signed and delivered to the Trustee, the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Series A Trust Agreement; provided that (i) any direction shall not be other than in accordance with the provisions of law and of the Series A Trust Agreement, (ii) the Trustee shall be indemnified as provided in the Series A Trust Agreement and (iii) the Trustee may take any other action that it deems to be proper and that is not inconsistent with the direction. Anything to the contrary in the Series B Trust Agreement notwithstanding, the Holders of a majority in aggregate principal amount of Outstanding Series B Bonds shall have the right at any time to direct, by an instrument or document or instruments or documents in writing signed and delivered to the Trustee, the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Series B Trust Agreement;

provided that (i) any direction shall not be other than in accordance with the provisions of law and of the Series B Trust Agreement, (ii) the Trustee shall be indemnified as provided in the Series B Trust Agreement and (iii) the Trustee may take any other action that it deems to be proper and that is not inconsistent with the direction

Limitation on Bondholders' Right to Institute Proceedings. No Bondholder has any right to institute any suit, action or proceeding in equity or at law for the execution of any trust hereunder or for any other remedy hereunder unless (i) such Holder previously has given to the Trustee written notice of the Event of Default on account of which such suit, action or proceeding is to be instituted, (ii) the Holders of not less than 25% of the aggregate principal amount of the Outstanding Series A Bonds or Series B Bonds, as applicable, have made written request to the Trustee after the right to exercise such powers or right of action, as the case may be, shall have accrued, and have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted by either the Series A Trust Agreement or the Series B Trust Agreement, as applicable, or to institute such action, suit or proceeding in its or their name, and (iii) there has been offered to the Trustee reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee has refused or neglected to comply with such request within a reasonable time. Such notification, request and offer of indemnity are hereby declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers and trusts of the Series A Trust Agreement or the Series B Trust Agreement, as applicable, or to any other remedy hereunder; provided, however, that the Holders of not less than 25% of the aggregate principal amount of the Outstanding Series A Bonds or Series B Bonds may institute any such suit, action or proceeding in their own names for the benefit of all Series A or Series B Bondholders.

It is understood and intended that, except as otherwise provided above, (i) no one or more Series A or Series B Bondholders has any right in any manner whatsoever to affect, disturb or prejudice the security of the Series A Trust Agreement or the Series B Trust Agreement or to enforce any right thereunder except in the manner herein provided, (ii) all proceedings at law or in equity shall be maintained in the manner therein provided and for the benefit of all Holders of the Outstanding Series A Bonds or Outstanding Series B Bonds and (iii) that any individual right of action or other right given by law to one or more of such Holders is restricted by the Series A Trust Agreement or the Series B Trust Agreement to the rights and remedies therein.

No Impairment of Right to Enforce Payment. Notwithstanding any other provision of the Trust Agreements to the contrary, the right of any Series A or Series B Bondholder to receive payment of the principal and interest on a Bond or to institute suit for the enforcement of any such payment on or after the date such payment is due, shall not be impaired or affected without the consent of such Bondholder.

No Remedy Exclusive. No remedy conferred upon or reserved to the Trustee or to the Series A or Series B Bondholders under either the Series A Trust Agreement or the Series B Trust Agreement is intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Trust Agreements or now or in the future existing at law or in equity or by statute.

No Waiver of Remedies. No delay or omission of the Trustee or of any Bondholder to exercise any right or power accruing upon any default will impair any such right or power or be construed to be a waiver of any such default, or an acquiescence in the default. Every power and remedy given under the Series A Trust Agreement and the Series B Trust Agreement to the Trustee and to the Series A and Series B Bondholders may be exercised from time to time and as often as may be deemed expedient.

Limitations on Modifications of the Trust Agreements and the Leases. Neither the Trust Agreements nor the Leases shall be modified, supplemented or amended in any respect subsequent to the first issuance of the Bonds except as provided in and in accordance with and subject to the provisions of the Trust Agreements.

Supplemental Trust Agreement Without Bondholder Consent. The Commission and the Trustee may, from time to time and at any time, without the consent of or notice to the Series A or Series B Bondholders, and with respect to the Series A Bonds notice to the Liquidity Facility Provider, enter into Supplemental Trust Agreements as follows:

- (a) to cure any ambiguity, inconsistency or formal defect or omission in the Trust Agreements;
- (b) to grant to or confer upon the Trustee for the benefit of the Series A and Series B Bondholders any additional rights, remedies, powers or authority that lawfully may be granted to or conferred upon the Holders or the Trustee;
- (c) to assign additional revenues under the Trust Agreements;
- (d) to accept additional security and instruments and documents of further assurance with respect to the Projects and the Bonds;
- (e) to add to the covenants, agreements and obligations of the Commission under the Trust Agreements, other covenants, agreements and obligations to be observed for the protection of the Holders, or to surrender or limit any right, power of authority reserved to or conferred upon the Commission in the Trust Agreements;
- (f) to evidence any succession to the Commission and the assumption by its successor of the covenants, agreements and obligations of the Commission under the Trust Agreements, the Base Leases, the Leases and the Bonds;
- (g) to permit the Trustee or the Commission to comply with any obligations imposed upon it by law including the Code, so long as such change would not be to the prejudice of the Trustee or the Holders;
- (h) to specify further the duties and responsibilities of, and to define further the relationship among, the Trustee, the Registrar and any Authenticating Agents or Paying Agents;
- (i) to achieve compliance of the Trust Agreements with any applicable federal securities or tax law, provided that in the opinion of Independent Counsel such supplemental trust agreement does not adversely affect the validity or security of the Bonds;
- (j) to obtain or maintain a rating on the Bonds from a Rating Service or to obtain or maintain insurance on the Bonds or to obtain or maintain a Liquidity Facility with respect to the Series A Bonds;
- (k) to adopt procedures for the disclosure of information to Series A or Series B Bondholders and others with respect to the Bonds, the University and the Commission in accordance with applicable federal securities laws or with any guidelines for such purpose promulgated by any appropriate national organizations;
- (l) to facilitate (i) the transfer of Bonds from one Depository to another, and the succession of Depositories, or (ii) the withdrawal of Bonds issued to a Depository for use in a book entry system and the issuance of replacement Bonds in fully registered form to others than a Depository;
- (m) to obtain or maintain bond insurance or any other form of credit enhancement in connection with the Series A Bonds bearing interest at the Dutch Auction Rate;
- (n) to provide for (i) an Alternate Liquidity Facility or the termination of a Liquidity Facility upon its expiration date or (ii) to provide for the implementation of a conversion of the Applicable Rate;
- (o) to permit any other amendment that, in the judgment of the Trustee, is not to the material prejudice of the Trustee or the Holders;

- (p) if a Liquidity Facility is then in effect, or shall be in effect upon the amendments, to make any amendments required to secure a rating on the Series A Bonds from a rating service equal to the rating of the unsecured indebtedness of the Liquidity Facility Provider or the parent company of such Liquidity Facility Provider, which amendments, in the judgment of the Trustee, are not to the prejudice of the Series A Bondholders.

Supplemental Trust Agreement with Bondholder Consent. Bondholders of not less than 51% in aggregate principal amount of the Series A Bonds then Outstanding have the right from time to time to consent to and approve the execution and delivery by the Commission and the Trustee of any Supplemental Trust Agreement consistent with the provisions of the Series A Trust Agreement and which is deemed necessary or desirable by the Commission at the direction of the University for the purposes of modifying, altering, amending, supplementing or rescinding, in any particular, any of the terms or provisions contained in the Series A Trust Agreement, provided, however, that, (A) without the consent of the Holder of each Series A Bond so affected, (i) an extension of the maturity of the principal of or the interest on any Series A Bond or (ii) a reduction in the principal amount of any Series A Bond or the rate of interest or premium thereon or (iii) a reduction in the principal amount of or any extension of the time of payment of any mandatory sinking fund requirement, or (B) without the consent of the Holders of all Series A Bonds then outstanding, (i) the creation of a privilege or priority of any Series A Bond or Series A Bonds over any other Series A Bond or Series A Bonds or (ii) a reduction in the aggregate principal amount of the Series A Bonds required for consent to a supplemental trust agreement or an amendment to the Series A Lease.

Bondholders of not less than 51% in aggregate principal amount of the Series B Bonds then Outstanding have the right from time to time to consent to and approve the execution and delivery by the Commission and the Trustee of any Supplemental Trust Agreement consistent with the provisions of the Series B Trust Agreement and which is deemed necessary or desirable by the Commission at the direction of the University for the purposes of modifying, altering, amending, supplementing or rescinding, in any particular, any of the terms or provisions contained in the Series B Trust Agreement, provided, however, that, (A) without the consent of the Holder of each Series B Bond so affected, (i) an extension of the maturity of the principal of or the interest on any Series B Bond or (ii) a reduction in the principal amount of any Series B Bond or the rate of interest or premium thereon or (iii) a reduction in the principal amount of or any extension of the time of payment of any mandatory sinking fund requirement, or (B) without the consent of the Holders of all Series B Bonds then outstanding, (i) the creation of a privilege or priority of any Series B Bond or Series B Bonds over any other Series B Bond or Series B Bonds or (ii) a reduction in the aggregate principal amount of the Series B Bonds required for consent to a supplemental trust agreement or an amendment to the Series B Lease.

Amendments to the Liquidity Facility. The Liquidity Facility may not be modified other than to (a) correct any formal defects in the Liquidity Facility, (b) effect transfers thereof, (c) effect extensions thereof, (d) effect an increase in the annual interest rate used to determine the interest portion of the amount of the Liquidity Facility, (e) effect an increase in the stated amount of the Liquidity Facility, (f) effect a change in the amount of the Liquidity Facility to include an amount sufficient to pay premium on the Series A Bonds, (g) effect a change in the number of days of interest coverage included in the amount of the Liquidity Facility so long as such change otherwise complies with the Series A Trust Agreement, (h) effect reductions and reinstatements thereof, (i) effect a change in the fees thereunder or (j) amend or waive any covenants of the University in the Initial Liquidity Facility, all in accordance with the terms of the Liquidity Facility as then in effect, without the prior written consent of the Trustee and an Executive on behalf of the Commission and written evidence from each Rating Service then rating the Series A Bonds stating that the amendment of the Liquidity Facility will not result in a withdrawal by such Rating Service of its rating of the Series A Bonds or a reduction in the then current rating assigned by such Rating Service to the Series A Bonds.

Notice. If at any time the Commission requests the Trustee to enter into any Supplemental Trust Agreement for any of the purposes described above, the Trustee shall cause notice of the proposed Supplemental Trust Agreement to be given by mail to all Holders of Outstanding Bonds, Series A or Series B.

In the event the Bonds are then rated by a Rating Service, the Trustee hereby agrees to send written notice to the applicable Rating Service at such address as they shall have designated upon the occurrence of any of the following events: (1) any change in the Trustee; (2) any amendment to the Bond Documents; (3) any amendment, termination, extension or substitution of the Liquidity Facility; (4) any redemption, acceleration or conversion to the Dutch Auction Rate or (5) a defeasance of the Bonds.

No Right to Object. If Bondholders of not less than the percentage of Series A Bonds required by the Series A Trust Agreement consent to and approve the execution and delivery of the Supplemental Trust Agreement as provided in the Series A Trust Agreement, no Bondholder will have any right to object to the execution and delivery of such Supplemental Trust Agreement, or to object to any of the terms and provisions contained in it or to its operation, or in any manner to question the propriety of its execution and delivery, or to enjoin or restrain the Commission or the Trustee from executing and delivering the same or from taking any action pursuant to its provisions.

If Bondholders of not less than the percentage of Series B Bonds required by the Series B Trust Agreement consent to and approve the execution and delivery of the Supplemental Trust Agreement as provided in the Series B Trust Agreement, no Bondholder will have any right to object to the execution and delivery of such Supplemental Trust Agreement, or to object to any of the terms and provisions contained in it or to its operation, or in any manner to question the propriety of its execution and delivery, or to enjoin or restrain the Commission or the Trustee from executing and delivering the same or from taking any action pursuant to its provisions.

Consent of the University Required. The Trustee and the Commission will not enter into any Supplemental Trust Agreement without the prior written consent of the University.

Discharge of Series A Trust Agreement. If (i) the Commission shall pay all of the outstanding Series A Bonds, or shall cause them to be paid and discharged, or if there otherwise shall be paid to the Holders of the outstanding Series A Bonds, all Bond Service Charges due or to become due thereon, and (ii) provision also shall be made for the payment of all other amounts payable under the Series A Trust Agreement, the Series A Lease or any Liquidity Facility Agreement then the Series A Trust Agreement shall terminate and the covenants, agreements and obligations of the Commission thereunder shall be released, discharged and satisfied.

The Trustee shall release the Series A Trust Agreement (except for certain provisions surviving in the event the Series A Bonds are deemed paid and discharged as described below) and shall sign and deliver to the Commission any instruments or documents in writing as shall be requisite to evidence that release and discharge or as reasonably may be requested by the Commission and shall return the Liquidity Facility, if any, to the Liquidity Facility Provider and the Trustee and any other Paying Agents shall assign and deliver to the Commission any property subject at the time to the lien of the Series A Trust Agreement that then may be in their possession, except amounts in the Series A Bond Fund required (i) to be paid to the University as excess funds under Section 5.08 of the Series A Trust Agreement, or (ii) to be held by the Trustee and the Paying Agents in the case of nonpresentment of Series A Bonds or otherwise for the payment of Bond Service Charges.

Discharge of Series B Trust Agreement. If (i) the Commission shall pay all of the outstanding Series B Bonds, or shall cause them to be paid and discharged, or if there otherwise shall be paid to the Holders of the outstanding Series B Bonds, all Bond Service Charges due or to become due thereon, and (ii) provision also shall be made for the payment of all other amounts payable under the Series B Trust Agreement or under the Series B Lease then the Series B Trust Agreement shall terminate and the covenants, agreements and obligations of the Commission thereunder shall be released, discharged and satisfied.

The Trustee shall release the Series B Trust Agreement (except for certain provisions surviving in the event the Series B Bonds are deemed paid and discharged as described below) and shall sign and deliver to the Commission any instruments or documents in writing as shall be requisite to evidence that release and discharge or as reasonably may be requested by the Commission, and the Trustee and any other Paying Agents shall assign and deliver to the Commission any property subject at the time to the lien of the Series B Trust Agreement that then may be in their

possession, except amounts in the Series B Bond Fund required (i) to be paid to the University as excess funds under Section 5.08 of the Series B Trust Agreement, or (ii) to be held by the Trustee and the Paying Agents in the case of nonpresentation of Series B Bonds or otherwise for the payment of Bond Service Charges.

Defeasance. All or any part of the Series A Bonds shall be deemed to have been paid and discharged within the meaning of the Series A Trust Agreement and all or any part of the Series B Bonds shall be deemed to have been paid and discharged within the meaning of the Series B Trust Agreement if:

(a) the Trustee as paying agent and any Paying Agents have received, in trust for and irrevocably committed thereto, sufficient money, or

(b) the Trustee has received, in trust for and irrevocably committed thereto, Defeasance Obligations that are verified or certified by an independent firm experienced in the preparation of verification reports acceptable to Bond Counsel to be of such maturities or redemption dates and interest payment dates, and to bear such interest, as will be sufficient together with any money to which reference is made in subparagraph (a) above, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom (which earnings are to be held likewise in trust and so committed, except as provided in the Trust Agreement), for the payment of all Bond Service Charges on those Bonds, at their maturity or redemption dates, as the case may be, or if a Default in payment has occurred on any maturity or redemption date, then for the payment of all Bond Service Charges thereon to the date of the tender of payment; provided that if any of those Bonds are to be redeemed prior to the maturity thereof, notice of that redemption has been duly given or irrevocable provision satisfactory to the Trustee has been duly made for the giving of that notice.

The Bonds shall be deemed to be paid and discharged only if the amount held by the Trustee under (a) or (b) above shall be sufficient to provide for the Maximum Rate on the Bonds to the earlier of the first tender or redemption date.

Any money held by the Trustee as described above may be invested by the Trustee upon written direction by a representative of the University only in Defeasance Obligations having maturity dates, or having redemption dates that, at the option of the holder of those obligations, shall be not later than the date or dates on which money will be required for the purposes described above.

Within 15 days after any Bonds are deemed paid and discharged the Trustee shall cause a written notice to be given to each Holder as shown on the Register on the date on which those Bonds are deemed paid and discharged. Such notice shall state the numbers of the Bonds deemed paid and discharged or state that all Bonds are deemed paid and discharged, set forth a description of the Defeasance Obligations held and specify the date or dates on which any of the Bonds are to be called for redemption.

Acceptance of Trusts. The Trustee accepts and agrees to execute the trusts created under the Trust Agreements, but only upon the terms set forth therein, to all of which the Commission agrees and the Holders agree by their acceptance of delivery of any of the Bonds. The obligations and duties of the Trustee will be determined solely by reference to the Trust Agreements and, except as expressly set forth in the Trust Agreements, no duties, express or implied, will be imposed on the Trustee. The Trustee may execute any of the trusts or powers contained in the Trust Agreements and perform the duties required by it under the Trust Agreements by or through attorneys, agents, receivers or employees, and shall be entitled to the advice of counsel concerning all matters of trusts and its duties under the Trust Agreements. With limited exception, the Trustee shall not be responsible for any willful misconduct or negligence of any attorney, agent or receiver selected by it with due care.

THE LEASES

The following is a summary of certain provisions of the Series A Lease and the Series B Lease that are substantially similar. Such summary does not purport to be complete or definitive and reference is made to the

Series A Lease and the Series B Lease for a full and complete statement of the terms and provisions and for the definitions of capitalized terms used in this summary and not otherwise defined under “**Certain Defined Terms and Summary of Certain Provisions of the Trust Agreements and the Leases.**”

Use of the Projects

During the term of the Leases, the University has sole and exclusive charge of the operation of the Projects unless there is an Event of Default and the University has been excluded from possession of the Projects under the terms of the Leases. See “THE LEASES - Events of Default” hereinafter.

Rental Payments

The University is obligated under the Leases to pay Rental Payments and to pay other expenses and disbursements of the Trustee and the Commission, defined in the Leases as “Additional Payments”.

Rental Payments are payable to the Trustee for the account of the Commission on or before each Rental Payment Date (each Interest Payment Date) during the term of the Leases in an amount of money equal to the sum of the amount that, when added to the balance then in the Series A Bond Fund and the Series B Bond Fund and available therefor, will be sufficient to pay the Bond Service Charges on the Interest Payment Date occurring on such Rental Payment Date. The University is also obligated, on or before each Purchase Date, to pay as Rental Payments an amount of money equal to the amount that, when the amount available from remarketing the tendered Bonds in accordance with the Trust Agreements is added thereto, shall be sufficient to pay the Purchase Price on those Bonds on the applicable Purchase Date.

In any event, the amount of the Rental Payments made under the Leases must be sufficient to pay the total amount of the Bond Service Charges as and when due, whether at stated maturity, by redemption or upon acceleration. The Leases serve the purpose of securing the debt service on the Bonds, while satisfying the requirements of the Act pursuant to which the Bonds are issued. If at any time when a payment of Bond Service Charges is due, the balance in the Series A Bond Fund or the Series B Bond Fund is insufficient to make that payment, the University will forthwith pay to the Trustee for deposit into the Series A Bond Fund and the Series B Bond Fund any such deficiency. Any amount, however, held at any time by the Trustee in either the Series A Bond Fund or the Series B Bond Fund will, unless otherwise provided in the Leases, be credited against the Rental Payments next required to be paid by the University, to the extent such amount is in excess of the amounts required (i) for payment of Bonds theretofore matured or called for redemption, (ii) for payment of past due interest in all cases where such Bonds have not been presented for payment and (iii) to be deposited in Series A Bond Fund or the Series B Bond Fund, as applicable for use for other than payment of the interest or any premium on, or principal of, the Bonds (whether at maturity or by redemption) on the next succeeding Interest Payment Date.

Absolute Obligation to Pay Rental Payments

The obligations of the University to make Rental Payments and Additional Payments pursuant to the Leases are absolute and unconditional general contractual obligations of the University and will survive any termination of the Leases until such time as all of the Bonds and interest and any premium thereon, and any Additional Payments, have been paid in full or provision therefor is made. The University has agreed to pay such obligations from its general funds or any other money legally available to it in the manner and at the time provided in the Leases. The University will make Rental Payments and Additional Payments without abatement, diminution or deduction regardless of any cause or circumstances whatsoever, including but not limited to, any defense, set-off, recoupment or counterclaim that the University may have or assert against the State of Ohio, the Commission, the Trustee, the Remarketing Agent, the Liquidity Facility Provider or any other Person, any change in the tax or other laws or administrative rulings of or administrative actions by or under authority of the United States of America or of the State of Ohio, or any damage to, destruction of or exercise of eminent domain with regard to the Projects.

Maintenance of Tuition, Fees and Charges

So long as any Bonds are outstanding, the University covenants and agrees to operate all its educational facilities, including the Projects, on a revenue-producing basis. The University also covenants during such period to fix, revise as often as necessary, charge and collect such reasonable tuition fees, student fees, rates, other fees, rentals and charges for the use and occupancy of its educational facilities, including the Projects or any part thereof, and for any other facilities operated by the University, in amounts so that the University shall receive gross cash receipts in each fiscal year that, together with other money legally available to it, are sufficient (as determined in accordance with generally accepted accounting principles then in effect and applicable to non-profit educational institutions) to pay the following costs (without priority of any one clause over another): (i) currently all of the University's expenses during such fiscal year for its operation, including those expenses incurred in carrying out its educational purposes, and for the operation, maintenance and repair of all its educational facilities, including the Projects, and any other facilities operated by the University, (ii) all Rental Payments and Additional Payments under the Leases due in such fiscal year, (iii) all other obligations imposed by the Base Leases, the Leases, the Assignments, the Trust Agreements, the Guaranties, and the Bond Purchase Agreements (collectively, the "Bond Documents") upon the University payable during such fiscal year, and (iv) all indebtedness and other obligations of the University due in such fiscal year as the same become due and payable.

Maintenance and Insurance

The University has agreed that during the term of the Leases it will keep the Projects in good repair and good operating condition at its own cost. Upon the expiration or termination of the Leases it will, unless it has purchased the Commission's interest in the Leases pursuant to the provisions of the Leases, surrender the Projects to the Commission in as "good condition" as the Projects were in at the time the University had full possession of the Projects. "Good condition" permits loss to the Projects by fire or other casualty covered by insurance, ordinary wear and tear, obsolescence and acts of God.

The University has agreed to maintain, during the term of the Leases, insurance coverage with respect to its educational facilities, including the Projects, and other properties of the University and the operation and maintenance thereof of such type and in such amounts and against such risks as are normal for educational facilities of similar type and size. Such insurance shall include (i) property insurance in an amount which shall be at least equal to the greater of the then replacement value of the Projects or the then-total outstanding and unpaid principal of the Bonds, (ii) comprehensive general liability insurance, (iii) workers' compensation and employer's liability coverage and (iv) fidelity bonds on all officers and employees of the University who have access to or custody of Projects revenues or University funds. The University also has agreed, as long as Bonds are outstanding, (i) that the foregoing insurance policies will prohibit cancellation or substantial modification without at least 45 days' prior written notice to the University and the Trustee, (ii) to cause the Trustee to be named as an additional party insured under the property insurance policies, and (iii) to cause the Commission and the Trustee to be named as an additional party insured under the comprehensive general liability insurance policies.

Indemnification of the Commission

The University has agreed to hold the Commission harmless against all costs, liabilities, losses, expenses and claims arising from (i) any loss of or damage to property, or any injury to or death of any person, that may be occasioned by any cause pertaining to the Projects or its use, nonuse or condition, (ii) any breach or default by the University under the Bond Documents, the acquisition, construction, improvement or equipping of the Projects, or any act or a failure to act by the University, its agents, contractors, servants, employees or licensees, (iii) the Commission's authorization, issuance and sale of the Bonds and provision of any information or certification in connection therewith, (iv) any failure of the University to comply with any requirements of the Bond Documents or the Code, as hereinafter defined, pertaining to the exclusion of interest on the Bonds from gross income for federal income tax purposes including covenants in the Tax Agreement, (v) ownership of any interest in the Projects or any part thereof; (vi) the performance of any labor or services or the furnishing of any materials or other property in respect of the Projects or any part thereof; (vii) any action, claim or proceeding brought in connection with any of the foregoing; and (viii) to the extent of the aggregate amount paid in settlement of any

action, claim or proceeding commenced or threatened based upon any of the foregoing, if the settlement is effected with the written consent of the University (which consent shall not be withheld unreasonably).

University's Options to Terminate Leases and to Purchase the Projects

The University has the option to terminate the Leases at any time after the Trust Agreements have been released pursuant to their provisions and all payments due under the Leases have been made or provided for.

The University also has the option to terminate the Leases if any of the following extraordinary events occur:

(a) All or a substantial part of the Projects is damaged or destroyed to such extent that (i) the Projects cannot be reasonably restored within a period of six months to its condition at the time immediately preceding the damage or destruction or (ii) the University is thereby prevented from carrying on its normal operation of the Projects for a period of six months;

(b) Title to, or the temporary use of, all or a substantial part of the Projects is taken under the exercise of the power of eminent domain by any government authority, or person, firm or corporation acting under governmental authority, to such extent that (i) the Projects cannot be reasonably restored within a period of six months to a condition comparable to its condition prior to such taking or (ii) the University is thereby prevented from carrying on its normal operation of the Projects for a period of six months;

(c) As a result of any changes in the Constitution of the State or the Constitution of the United States or of legislative or administrative action (whether State or federal) or by final decree, judgment or order of any court or administrative body (whether State or federal) entered after the contest thereof by the Commission or the University in good faith, the Leases becomes void or unenforceable or impossible of performance, or if unreasonable burdens or excessive liabilities are imposed upon the Commission or the University with respect to the Projects or its operation; or

(d) The University loses its status as a federally tax-exempt organization but only if such loss results in the interest on the Bonds no longer being excluded from gross income for federal income tax purposes.

For purposes of this paragraph, the term "substantial part" when used with reference to the Projects means any part of the Projects, the total cost of which (as determined by the University) equals or exceeds the lesser of (i) at least 25% of the aggregate principal amount of the Bonds originally issued or (ii) an amount equal to the aggregate principal amount of the Bonds then outstanding.

In order to exercise the option described in the preceding paragraph, the University must give written notice to the Commission, the Liquidity Facility Provider, if applicable, and the Remarketing Agent (and, if applicable, the Trustee) within 90 days following the event authorizing the exercise thereof, and is required to make arrangements satisfactory to the Trustee for the redemption of all Outstanding Bonds and pay as the redemption price for the Bonds the following:

(a) To the Trustee, an amount of money that, together with the money and investments held to the credit of Special Funds, will be sufficient pursuant to the provisions of the Trust Agreements to pay the principal of and any premium and interest accrued on the Bonds to the redemption date, and to discharge all then Outstanding Bonds;

(b) To the Trustee or to the Persons to whom Additional Payments are or will become due, an amount of money equal to the Additional Payments accrued and to accrue until actual final payment and redemption of the Bonds; and

(c) If applicable, to the Liquidity Facility Provider, all amounts outstanding under the Liquidity Facility Agreement.

The Leases provide that upon its expiration, the University has an option to purchase the Commission's entire interest in the respective Projects for a nominal sum.

University to Maintain Its Existence

The University has agreed to maintain, during the term of the Leases, its existence as a nonprofit educational institution and not to dissolve or otherwise dispose of all or a substantial part of its assets or merge into or consolidate with another corporation or entity or permit one or more other corporations or entities to consolidate with or merge into it, unless the corporation surviving such merger (i) is a State university or college or holds a certificate of authorization under Section 1713.02 of the Ohio Revised Code, (ii) is an organization described in Section 501(c)(3) of the Code and is exempt from federal income taxation under Section 501(a) of the Code or is a governmental unit, (iii) expressly assumes all agreements of the University under the Leases and (iv) meets certain other conditions described in the Leases.

The University will be deemed to have disposed of a substantial part of its assets if during any fiscal year it disposes of 25% or more of its assets, whether or not shown as assets on the consolidated balance sheet of the University. The sale or exchange of securities or real estate held for investment purposes in order to obtain other securities or real estate to be held for investment purposes will not, however, be deemed to be a disposal of assets.

Assignment and Subleasing

The Leases may be assigned in whole or in part, and the Projects may be subleased in whole or in part, by the University without the necessity of obtaining the consent of the Commission or the Trustee, provided that certain conditions are met, including (i) no such assignment (other than assignments pursuant to the consolidation, merger, sale or other transfer as described in "THE LEASES - University to Maintain its Existence") will relieve the University from primary liability for any of its obligations under the Leases and the University will continue to remain primarily liable for the payment of Rental Payments and Additional Payments, (ii) any such assignment or sublease will retain for the University such rights as will permit it to perform its obligations under the Leases, (iii) the assignee or sublessee from the University assumes the obligations of the University to the extent of the interest assigned or subleased, (iv) the University furnishes copies of such assignment, sublease or grant of use to the Commission, the Liquidity Facility Provider, if applicable, and the Trustee, and (v) any such assignment or sublease will not materially impair fulfillment of the purposes of the Act in providing educational facilities or adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes.

Events of Default

The following are defined as Events of Default under the Leases:

(a) The University fails to pay any Rental Payment on or prior to the date on which that Rental Payment is due and payable.

(b) The University fails to administer, maintain or operate the Projects as educational facilities in accordance with the Act.

(c) The University fails to observe and perform any other covenant, agreement or obligation contained in the Leases, if such failure continues for a period of 60 days after written notice of the failure is given to the University by the Commission, the Trustee or the Liquidity Facility Provider, if applicable. The Commission and the Trustee may agree in writing to an extension of that 60-day period prior to its expiration, provided that if the University proceeds to take curative action that, if begun and prosecuted with due diligence, cannot be completed reasonably within the 60-day period, that period shall be

increased without a written extension for an additional period not to exceed 150 days to any extent that shall be necessary to enable the University to complete the curative action diligently.

(d) Certain events of dissolution, liquidation, insolvency, bankruptcy, reorganization or other similar events with respect to the University occurs.

(e) The University fails to make any payment due under a lease or lease agreement entered into between the University and the Commission in connection with any issue of State of Ohio Higher Educational Facility Bonds issued to fund a project at the University, provided that such failure constitutes an event of default under such lease or lease agreement. The University is a party to a number of leases with the Commission in connection with outstanding bonds.

The events described in paragraph (c) above do not constitute Events of Default if caused by Force Majeure, defined in the Lease as acts of God; strikes, lockouts or other employment related disturbances; acts or orders of any kind of any governmental authority; acts of public enemies; terrorist activities or attacks; insurrections; civil disturbances; riots; arrests; epidemics; landslides; lightning; earthquakes; fires; hurricanes; tornados; storms; droughts; floods; explosions; breakage, malfunction or accident to facilities, machinery, transmission pipes or canals; partial or entire failure of utilities; shortages of labor, materials, supplies or transportation; or any cause, circumstance or event not reasonably within the control of the University.

The declaration of an Event of Default under the Leases and the exercise of remedies upon any such declaration are subject to any applicable limitations of federal bankruptcy law affecting or precluding such declaration or exercise during the pendency of or immediately following any bankruptcy, liquidation or reorganization proceedings.

Remedies on Default

If any Event of Default described above happens and is continuing, any one or more of the following actions may be taken, although the Trustee is not required to take any step that in its opinion will or might cause it to expend time or money unless it has been furnished a satisfactory indemnity bond at no cost to it:

(a) The Trustee shall, if acceleration is declared pursuant to either the Series A Trust Agreement or the Series B Trust Agreement, and the Trustee may, if acceleration is not declared pursuant to either the Series A Trust Agreement or the Series B Trust Agreement, declare all Rental Payments, Additional Payments and other amounts payable under the respective Leases to be immediately due and payable, whereupon the same shall become immediately due and payable.

(b) The Trustee, (i) may enter and take possession of the Projects without terminating the Leases, (ii) may complete the Projects if not then completed and sublease the Projects or any part thereof for the account of the University, holding the University liable for completion costs, if any, not reimbursed to the Commission from the proceeds of the Bonds or otherwise, (iii) collect rentals and enforce all other remedies of the University under any lease of, or assignments or grants of rights to use or occupy, the Projects, or any part thereof, but without being deemed to have affirmed the lease, assignments or grants, (iv) enter into new leases, assignments and grants on any terms that the Commission or the Trustee may deem suitable for the Projects, or any part thereof, which leases, assignments and grants may provide that the shall not be terminated or affected if the University cures the Event of Default, (v) remove the University, all other Persons and all property from the Projects, or any part thereof, (vi) hold, operate and manage the Projects, or any part thereof, (vii) receive all earnings, income, rents, issues, profits, proceeds or other sums accruing with respect thereto and (viii) obtain an environmental assessment of all or any part of the real property constituting the Projects.

(c) The Trustee may have access to and inspect, examine and make copies of the books and records and any and all accounts, data and income tax and other tax returns of the University.

(d) The Trustee may exercise any and all and any combination of rights, remedies and powers available to it under the Trust Agreements and the Leases and may appoint a receiver.

Amendments of the Leases

The Trust Agreements provide that the Leases may be amended by the Commission and the Trustee without the consent of or notice to the Holders only as may be required (i) by the provisions of the Bond Documents, (ii) for the purpose of curing any ambiguity, inconsistency or formal defect or omission in the Leases, (iii) in connection with an amendment or to effect any purpose for which there could be an amendment of the Trust Agreements without the consent of the Holders (iv) in connection with the conversion of the Series A Bonds to another Applicable Rate, (v) in connection with the replacement of a Liquidity Facility or (vi) in connection with any other change therein that, in the judgment of the Trustee, is not to the material prejudice of the Trustee or the Holders. Any amendment to the Leases that would change the amount of Rental Payments, or time as of which they are required to be paid, may only be made with the consent of all of the Holders of the Bonds then outstanding. Any other amendments to the Leases may only be made with the written approval or consent of the Holders of not less than a majority in aggregate principal amount of the Bonds then outstanding.

THE TAX AGREEMENTS

The following is a description of certain provisions of the Tax Agreements. Such description does not purport to be complete or definitive and reference is made to the Tax Agreements for a full and complete statement of the terms and provisions and for the definition of capitalized terms used in this description and not otherwise defined under "Certain Defined Terms and Descriptions of Certain Provisions of the Trust Agreements, the Leases and the Tax Agreements."

The Commission, the University and the Trustee entered into two separate Tax Certificates and Agreements, each dated as of May 15, 2002, as amended or supplemented from time to time. The University represents that it has taken and covenants that it will take and cause to be taken all actions that may be required of it, alone or in conjunction with the Commission, for the interest on the Bonds to be and remain excluded from gross income for federal income tax purposes and from treatment as an item of tax preference for purposes of the alternative minimum tax imposed on individuals and corporations under the Internal Revenue Code of 1986, as amended (the "Code"). The University represents that it has not taken or permitted to be taken on its behalf, and covenants that it will not take or permit to be taken on its behalf, any actions that would adversely affect those exclusions under the provisions of the Code.

Unless the University receives and provides to the Commission and the Trustee a written opinion of nationally recognized bond counsel acceptable to the Commission that such action will not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes and from treatment as an item of tax preference for purposes of the alternative minimum tax imposed on individuals and corporations under the Code, the University will not take any action or fail to take any action that would cause the Bonds not to be considered qualified 501(c)(3) bonds under Section 145 of the Code. The preceding discussion does not purport to be complete or definitive and reference is made to the Tax Agreement for a full and complete statement of the terms and provisions.

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APPENDIX D

SUMMARY OF APPLICABLE INTEREST RATES AND OTHER TERMS OF BONDS

RATE PERIOD	INTEREST PAYMENT DATE AND RECORD DATE	RATE DETERMINATION DATE	DATE ON WHICH RATE BECOMES EFFECTIVE	NOTICE OF RATE	NOTICE PERIOD FOR OPTIONAL TENDER	PAYMENT FOR SERIES A BONDS TENDERED	MANDATORY PURCHASE DATE	RATE PERIOD CHANGE DATE NOTICE FROM UNIVERSITY TO NOTICE PARTIES	RATE PERIOD CHANGE DATE NOTICE MAILED TO SERIES A BOND OWNERS
Weekly Rate Period	<u>Interest:</u> 1 st Business Day of each calendar month. <u>Record:</u> The last Business Day of the Interest Period	Weekly Rate determined not later than 10:00 a.m. on Wednesday, or if such Wednesday is not a Business Day, the next preceding Business Day prior to such Wednesday	Each Wednesday	Remarketing Agent notifies Trustee by 4:00 p.m. on the day such rate is determined	Written or electronic notice not later than 5:00 p.m. on a Business Day not less than seven days before the Purchase Date	Before 2:30 p.m. on Purchase Date in immediately available funds	Conversion Date (unless to Daily Rate Period)	Not less than 20 days before Conversion Date from Variable Rate Period and not later than 35 days before Conversion Date from Term Rate Period. Change on Interest Payment Date (but if change to Daily Rate Period, on any Wednesday)	Not less than 15 days before Conversion Date from Variable Rate Period and 30 days for Rate Period change from Term Rate Period
Commercial Paper Rate Period	<u>Interest:</u> 1 st Business Day immediately following the last day of each CP Rate Period. <u>Record:</u> The last day of the Commercial Paper Rate Period	CP Rate Period determined not later than 1:00 p.m. on the first Day of each CP Rate Period	First Day of such CP Rate Period	Remarketing Agent notifies Trustee by 4:00 pm on the day such rate is determined	Not applicable	Before 2:30 p.m. on Purchase Date in immediately available funds	Conversion Date; the day following the last day of the CP Rate Period	Not less than 20 days before Conversion Date from Variable Rate Period and not later than 35 days before Conversion Date from Term Rate Period. Change on last interest payment date (may be more than one Conversion Date if change to Daily or Weekly Rate Period)	Not less than 15 days before Conversion Date from Variable Rate Period and 30 days for Rate Period change from Term Rate Period
Term Rate Period	<u>Interest:</u> The first day of the sixth calendar month following the month in which the Term Rate Period begins and on the first day of each sixth calendar month thereafter. <u>Record:</u> The 15 th day of the month preceding each Interest Payment Date	Not later than 12:00 noon on Business Day immediately preceding the commencement date of such period	First day of such Term Rate Period	Remarketing Agent notifies Trustee by close of business on the day such rate is determined	Not Applicable	Before 2:30 p.m. on Purchase Date in immediately available funds	Conversion Date; the day following the last day of the Term Rate Period	Not less than 20 days before Conversion Date from Variable Rate Period and not later than 35 days before Conversion Date from Term Rate Period. Change on last interest payment date	Not less than 15 days before Conversion Date from Variable Rate Period and 30 days for Rate Period change from Term Rate Period

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APPENDIX E

THE BANK

LANDESBANK HESSEN-THÜRINGEN GIROZENTRALE New York Branch

The Liquidity Facility Provider is the New York Branch of Landesbank Hessen-Thüringen Girozentrale ("Helaba"). With effect from July 1, 1992, Helaba took its present name. At that date, the Treaty on the Formation of a Joint Savings Banks Organization between the federal states Hesse and Thuringia came into force. The former Hessische Landesbank was formed in 1953 by the merger of Hessische Landesbank Darmstadt (founded 1940), Nassauische Landesbank Wiesbaden (founded 1840) and of Landeskreditkasse zu Kassel (founded 1832).

Helaba is a legal entity under public law. The owners and guarantors of Helaba are the states of Hesse and Thuringia and the Savings Banks and Giro Association Hesse-Thuringia (Sparkassen- und Giroverband Hessen-Thüringen- SGVHT), a joint institution of the municipal savings banks and their guarantors in Hesse and Thuringia. Executive bodies of Helaba are the Board of Guarantors, the Supervisory Board and the Board of Managing Directors.

In accordance with its Charter, Helaba fulfills the functions of a central bank for the savings banks and those of a state bank for the states of Hesse and Thuringia. Helaba pays an annual dividend to its owners and, in the case of the savings banks, cooperates with them to develop their businesses.

Headquartered in Frankfurt/Main and Erfurt, Helaba concentrates on wholesale financial services offering comprehensive banking facilities for multinational corporations, central banks, public sector entities, and other financial institutions. Outside of Germany, Helaba has branch offices in London, New York, Dublin and Grand Cayman as well as wholly owned subsidiaries in Amsterdam and Dublin. Representative offices are maintained in Warsaw, Madrid, Paris and Hong Kong.

On May 19, 2000, the owners and the chairmen of Helaba and BayernLB announced a strategic cooperation agreement between the two Landesbanks, focusing on selected business activities such as Payment Transactions, Corporate Finance, Asset Management, cooperation at their foreign branches and subsidiaries, E-Commerce, building saving institutions. Several joint projects have already been realized, such as the merger of their subsidiaries in Zurich and Luxembourg, -- now operating under the names of LB Swiss and LB Lux, respectively, - the formation of a joint M&A company and the integration of their computer centers.

In the year ending December 31, 2000 ("FY 00"), the operating result before risk provisions of Helaba and its consolidated subsidiaries (the "Helaba group") was € 349.8 million, 1.4% above the previous year. Operating results after risk provisions rose by 8.3% to € 248.6 million. This increase is due primarily to net revenue from commissions and service charges as well as the positive development of net profit on financial transactions. Moreover, Helaba was able to reduce allocations to loan loss provisions. FY00 net risk provisions totaled € 101.2 million, a decline of 12.3%. This derives mainly from lower allocation requirements to provisions and reserves in lending business, because no large risks occurred in 2000.

Administrative expenses, amounting to € 544.4 million exceeds the previous year's figure by 10.7%. As a consequence of an increase of staff, collective agreements, an increase of social security expense as well

as higher expense on pension reserves, personnel expense rose by 12% to €279 million. Personnel expense was influenced by the first-time consolidation of a subsidiary, accounting for 2 percentage points of the increase. The number of active staff in the group was 3,151 at the end of the reporting year (1999: 3,115). Non-personnel expense including depreciation on fixed assets amounted to €266 million – due, inter alia, to higher building expense – up 9% on the previous year's figure.

After payment of taxes on income and profits in an amount of €102.7 million and an allocation to the Fund for general banking risks of €50.0 (1999: 40.3) million, the net income for the year amounted to €91.7 million. Reserves established for the group amounted to €63 (1999: 58) million.

The consolidated balance sheet total of the Helaba group grew by 14.0% to €130.8 billion. Business volume, which in addition to the balance sheet total also comprises the off-balance sheet loan business, increased 16.7% to €154.1 billion, helped in large part by the dynamic growth of core business fields such as Corporate Finance, Financial Institutions and International Public Finance, Asset Management or Issuing and Funding Business. The off-balance sheet loan business continued to develop disproportionately well in relation to the on-balance sheet business, and was up 33% to a total of €23.2 billion.

The New York Branch of Helaba, licensed under New York law, provides a full range of wholesale commercial banking services in the New York City metropolitan area and throughout the United States. Upon written request, Helaba will provide without charge a copy of its most recent Annual Report. Requests should be directed to: Landesbank Hessen-Thüringen Girozentrale, New York Branch, 420 Fifth Avenue, 24th Floor, New York, NY 10018, Tel: (212) 703-5200, Fax: (212) 703-5256.

Helaba currently has a long-term credit rating of “Aaa” from Moody's Investors Service, Inc. and is rated “AAA,” by Standard & Poor's Rating Group and by Fitch, Inc. Helaba's short-term ratings are “P-1” from Moody's, “A-1+” from Standard & Poor's and “F1+” from Fitch. Currently, Standard & Poor's Rating Group maintains a negative outlook on the Landesbank sector as a whole.

Helaba's obligations benefit from guarantor obligation (Gewährträgerhaftung) and statutory liability (Anstaltslast) of its owners.

On July 17, 2001 the Federal Government of Germany reached an agreement with the European Commission on regulations concerning adaptations of state liability obligations for Landesbanks and savings banks. Anstaltslast is scheduled to be modified after a four-year transition period, i.e. after July 18, 2005 to the effect that capital contributions in the event of reorganizations will in the future be subjected to the EU regulations governing subsidies. Gewährträgerhaftung is scheduled to expire after the end of the same transition period, subject to the following proviso: Obligations that already existed on July 18, 2001 will also in the future and without limitation in time be subject to the guarantor obligation. This applies irrespective of their maturity. Obligations incurred after July 18, 2001 but prior to July 19, 2005 will be covered in full by the guarantor obligation, if their maturity ends by December 31, 2015 at the latest.

In a joint declaration of July 17, 2001 Helaba's owners confirmed the continuation of their statutory joint and several guarantor obligation for the obligations of Helaba within the described framework. This includes the timeliness of payment of all obligations of Helaba which benefit from Gewährträgerhaftung.

Helaba has supplied information relating to it in the previous paragraphs. Helaba does not accept any responsibility for any information contained in this Offering Circular other than the information relating to Helaba.

NOTE: *The official (FOREX fixing) exchange rate on December 29, 2000, the last trading day in 2000, was €1.0750 = US \$1.00*

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APPENDIX F

PROPOSED FORMS OF APPROVING OPINIONS OF BOND COUNSEL

Series A Bonds

We have examined the transcript of proceedings (the "Transcript") relating to the issuance by the Ohio Higher Educational Facility Commission (the "Commission") of \$64,875,000 Higher Educational Facility Revenue Bonds, (Case Western Reserve University 2002 Project), Series A, dated as of this date (the "Bonds") of the State of Ohio (the "State"). The Bonds are being issued for the purpose of providing funds to pay "project costs" of "educational facilities," as those terms are defined in Section 3377.01 of the Revised Code, including costs relating to constructing, equipping and furnishing student residence facilities, constructing and equipping a parking garage, constructing and equipping a new addition to the Harland Wood Building of the School of Medicine and renovating and equipping that building, and renovating and equipping various other educational facilities including classrooms, laboratories, faculty offices, residence halls, the West Quad, administrative offices, athletic, recreational and health facilities and other campus facilities, and for such other uses as are permitted by the Act and the Lease (collectively, the "Project"), including costs incidental thereto and the costs of financing and refinancing thereof, and to pay certain issuance costs related to the Bonds. The Bonds are issued and secured by the Trust Agreement (the "Trust Agreement") between the Commission and J.P. Morgan Trust Company, National Association, as trustee (the "Trustee"). The Project has been leased by Case Western Reserve University (the "University"), as lessor, to the Commission, as lessee, under the Base Lease ("Base Lease") and has been leased back to the University under the Lease (the "Lease") between the Commission, as lessor, and the University, as lessee. Pursuant to the Trust Agreement and the Assignment of Rights Under Lease (the "Assignment"), the Commission has assigned to the Trustee for the benefit of the holders of the Bonds substantially all of its rights under the Lease, including the Rental Payments to be made by the University. The documents in the Transcript examined include signed counterparts of the Base Lease, the Lease, the Trust Agreement and the Assignment, each dated as of May 15, 2002. We have also examined a copy of a signed and authenticated Bond.

Based on this examination, we are of the opinion that under existing law:

1. The Bonds, the Base Lease, the Lease, the Assignment and the Trust Agreement are legal, valid, binding and enforceable in accordance with their respective terms, except that the binding effect and enforceability thereof are subject to applicable bankruptcy, insolvency, reorganization, moratorium and other laws in effect from time to time affecting the rights of creditors generally, and except to the extent that the enforceability thereof may be limited by the application of general principles of equity.
2. The Bonds constitute special obligations of the State, and the principal of and interest and any premium on the Bonds (collectively, "debt service") are payable solely from the revenues and other money pledged and assigned by the Trust Agreement and the Assignment to secure that payment, including the payments required to be made by the University under the Lease. The Bonds and the payment of debt service are not secured by an obligation or pledge of any money raised by taxation, and the Bonds do not represent or constitute a debt, or pledge of the faith and credit, of the State or the Commission.
3. The interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103(a) of the Internal Revenue Code of 1986, as amended (the "Code"), and is not treated as an item of tax preference under Section 57 of the Code for purposes of the alternative minimum tax imposed on individuals and corporations. The Bonds are "qualified 501(c)(3) bonds" as defined in Section 145(a) of the Code. The interest on the Bonds, and any profit made on their sale, exchange or other disposition, are exempt from the Ohio personal income tax, the net income base of the Ohio corporate franchise tax and municipal and school district income taxes in Ohio.

In giving the foregoing opinion with respect to the treatment of interest on the Bonds and the status of the Bonds under the tax laws, we have assumed and relied upon compliance with the covenants of the University and the Commission, and the accuracy, which we have not independently verified, of the representations and certifications of the University and the Commission contained in the Transcript. The accuracy of certain of those representations and certifications, and compliance by the University and the Commission with certain of those covenants, may be necessary for the interest on the Bonds to be and remain excluded from gross income for federal income tax purposes and for other tax effects stated above. Failure to comply with certain of those covenants subsequent to issuance of the Bonds could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

Portions of the interest on the Bonds earned by corporations (as defined for federal income tax purposes) may be subject to a corporate alternative minimum tax under the Code. In addition, under the Code, interest on the Bonds may be subject to a branch profits tax imposed on certain foreign corporations doing business in the United States and to a tax imposed on excess net passive income of certain S corporations.

In rendering this opinion, we have relied upon opinions, certifications and representations of fact, contained in the Transcript, which we have not independently verified, and we have assumed the due authorization, signing and delivery by, and the binding effect upon and enforceability against, the Trustee of the Trust Agreement. We have also relied upon the opinion of Joel A. Makee, counsel for the University, contained in the Transcript, as to all matters concerning the University, including the due authorization, signing and delivery by, and the binding effect upon and enforceability against, the University of the Base Lease and the Lease, matters of title to the Project and the status of the University as a 501(c)(3) organization within the meaning of the Code.

We express no opinion concerning the Liquidity Facility Agreement, dated as of May 15, 2002 among the University, the Trustee and Landesbank Hessen-Thüringen Girozentrale, acting through its New York Branch, delivered in connection with the Bonds.

Series B Bonds

We have examined the transcript of proceedings (the "Transcript") relating to the issuance by the Ohio Higher Educational Facility Commission (the "Commission") of \$35,125,000 Higher Educational Facility Revenue Bonds, (Case Western Reserve University 2002 Project), Series B, dated as of May 15, 2002 (the "Bonds") of the State of Ohio (the "State"). The Bonds are being issued for the purpose of providing funds to pay "project costs" of "educational facilities," as those terms are defined in Section 3377.01 of the Revised Code, including costs relating to constructing, equipping and furnishing student residence facilities, constructing and equipping a parking garage, constructing and equipping a new addition to the Harland Wood Building of the School of Medicine and renovating and equipping that building, and renovating and equipping various other educational facilities including classrooms, laboratories, faculty offices, residence halls, the West Quad, administrative offices, athletic, recreational and health facilities and other campus facilities, and for such other uses as are permitted by the Act and the Lease (collectively, the "Project"), including costs incidental thereto and the costs of financing and refinancing thereof, and to pay certain issuance costs related to the Bonds. The Bonds are issued and secured by the Trust Agreement (the "Trust Agreement") between the Commission and J.P. Morgan Trust Company, National Association, as trustee (the "Trustee"). The Project has been leased by Case Western Reserve University (the "University"), as lessor, to the Commission, as lessee, under the Base Lease ("Base Lease") and has been leased back to the University under the Lease (the "Lease") between the Commission, as lessor, and the University, as lessee. Pursuant to the Trust Agreement and the Assignment of Rights Under Lease (the "Assignment"), the Commission has assigned to the Trustee for the benefit of the holders of the Bonds substantially all of its rights under the Lease, including the Rental Payments to be made by the University. The documents in the

Transcript examined include signed counterparts of the Base Lease, the Lease, the Trust Agreement and the Assignment, each dated as of May 15, 2002. We have also examined a copy of a signed and authenticated Bond.

Based on this examination, we are of the opinion that under existing law:

1. The Bonds, the Base Lease, the Lease, the Assignment and the Trust Agreement are legal, valid, binding and enforceable in accordance with their respective terms, except that the binding effect and enforceability thereof are subject to applicable bankruptcy, insolvency, reorganization, moratorium and other laws in effect from time to time affecting the rights of creditors generally, and except to the extent that the enforceability thereof may be limited by the application of general principles of equity.

2. The Bonds constitute special obligations of the State, and the principal of and interest and any premium on the Bonds (collectively, "debt service") are payable solely from the revenues and other money pledged and assigned by the Trust Agreement and the Assignment to secure that payment, including the payments required to be made by the University under the Lease. The Bonds and the payment of debt service are not secured by an obligation or pledge of any money raised by taxation, and the Bonds do not represent or constitute a debt, or pledge of the faith and credit, of the State or the Commission.

3. The interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103(a) of the Internal Revenue Code of 1986, as amended (the "Code"), and is not treated as an item of tax preference under Section 57 of the Code for purposes of the alternative minimum tax imposed on individuals and corporations. The Bonds are "qualified 501(c)(3) bonds" as defined in Section 145(a) of the Code. The interest on the Bonds, and any profit made on their sale, exchange or other disposition, are exempt from the Ohio personal income tax, the net income base of the Ohio corporate franchise tax and municipal and school district income taxes in Ohio.

In giving the foregoing opinion with respect to the treatment of interest on the Bonds and the status of the Bonds under the tax laws, we have assumed and relied upon compliance with the covenants of the University and the Commission, and the accuracy, which we have not independently verified, of the representations and certifications of the University and the Commission contained in the Transcript. The accuracy of certain of those representations and certifications, and compliance by the University and the Commission with certain of those covenants, may be necessary for the interest on the Bonds to be and remain excluded from gross income for federal income tax purposes and for other tax effects stated above. Failure to comply with certain of those covenants subsequent to issuance of the Bonds could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

Portions of the interest on the Bonds earned by corporations (as defined for federal income tax purposes) may be subject to a corporate alternative minimum tax under the Code. In addition, under the Code, interest on the Bonds may be subject to a branch profits tax imposed on certain foreign corporations doing business in the United States and to a tax imposed on excess net passive income of certain S corporations.

In rendering this opinion, we have relied upon opinions, certifications and representations of fact, contained in the Transcript, which we have not independently verified, and we have assumed the due authorization, signing and delivery by, and the binding effect upon and enforceability against, the Trustee of the Trust Agreement. We have also relied upon the opinion of Joel A. Makee, counsel for the University, contained in the Transcript, as to all matters concerning the University, including the due authorization, signing and delivery by, and the binding effect upon and enforceability against, the University of the Base Lease and the Lease, matters of title to the Project and the status of the University as a 501(c)(3) organization within the meaning of the Code.

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